



# LONG DISTANCE RATES REDUCED AGAIN!

## ON JANUARY 15, 1937

EIGHT reductions in about ten years have substantially cut the cost of Long Distance telephone service.

The latest reduction in Long Distance rates became effective January 15.

Many interstate rates, for calls of more than 42 miles, are reduced. These reductions apply to all day and to many night and all-day Sunday rates for such calls.

The reductions for the first three minutes range from 5c to \$1, depending on distance.

It costs less now to do business in distant cities—quickly, *personally*. It's easier for far-apart friends to keep in *close* touch.

Sample rates listed below indicate the downward trend during the last decade. Quality of transmission and speed of service have been markedly improved in the same period. The average time required to establish a Long Distance connection was over five minutes in 1926 — is less than a minute and a half today.

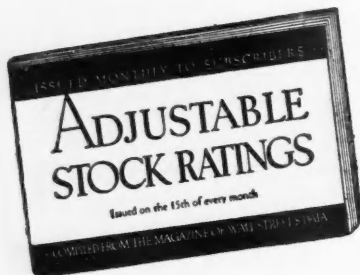


HOW LONG DISTANCE RATES HAVE BEEN CUT  
AS THE RESULT OF 8 REDUCTIONS IN THE LAST 10 YEARS:

RATES FOR 3-MINUTE DAYTIME CALLS		Station-to-Station		Person-to-Person	
From	To	January 15, 1926	Jan. 15, 1937	January 15, 1926	Jan. 15, 1937
Cleveland	Detroit	\$ .65	<b>8 .50</b>	\$ .80	<b>8 .70</b>
New York	Washington	1.35	<b>.85</b>	1.65	<b>1.20</b>
Chicago	St. Louis	1.70	<b>1.00</b>	2.10	<b>1.35</b>
Detroit	Washington	2.50	<b>1.30</b>	3.10	<b>1.75</b>
Philadelphia	Asheville	3.15	<b>1.55</b>	3.90	<b>2.05</b>
Buffalo	Nashville	4.15	<b>1.95</b>	5.15	<b>2.60</b>
Chicago	Dallas	5.05	<b>2.30</b>	6.30	<b>3.00</b>
Boston	New Orleans	8.60	<b>3.75</b>	10.75	<b>4.75</b>
Baltimore	Salt Lake City	11.90	<b>5.00</b>	14.85	<b>6.75</b>
New York	San Francisco	16.50	<b>6.50</b>	20.60	<b>8.75</b>

\* Night and all-day Sunday rates are still lower.

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# THE MAGAZINE OF WALL STREET and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Volume 59 No. 8

January 30, 1937

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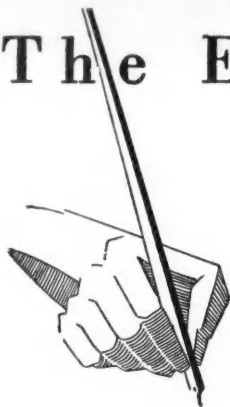
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Cable Address—Tickerpub.

# With The Editors



## Are We Deflated or Inflated?

As we watch the flow of events from our editorial sanctum it occurs to us that these are interesting but very confusing times. Along comes the Brookings Institution with an estimate that the country is short of twenty-five or thirty billion dollars' worth of durable goods, and to make up same we need to turn out such goods for the next five years at a rate more than 50 per cent above that of last year. Great stuff! We were all pepped up, and we hastened to prepare a summary of the Brookings findings which you will find starting on page 476.

Before we get that good news to press up pops Mr. Percy Johnston, the able chairman of the Chemical Bank and Trust Company, with the statement that in many lines production now exceeds consumption, and with a warning that we had better remember the lesson of 1919, 1920 and 1921 "when a similar pyramiding of orders caused overproduction, and the subsequent collapse

of commodity and inventory prices resulted in heavy losses."

We need a lot more goods, say the Brookings people. We are in danger of overproduction, says Mr. Johnston. And to make our confusion complete along comes Mr. J. F. Hughes, an observer whose opinions we respect, with a theory that the right time for the Government to put the brakes on expansion is when business activity has crossed "statistical normal," which is right now. Otherwise he believes a long period of debt expansion will result in overexpansion of capital facilities.

Maybe so. As for ourselves, we confess a disbelief that we have reached "statistical normal," whatever that might be. As we see it, normal in this country is a persistently rising per capita production of desirable goods and services—a trend broken only by temporary periods of depression or over-fast price inflation, the latter usually a war or early post-war phenomenon. More-

over, we doubt that the per capita economic activity of 1923-1925 was any more normal than that of 1913, or 1900 or 1885.

In a world which is full of theories—but which has yet to learn a thousand-fold more about almost everything than it now knows for certain—we hesitate to throw another theory into the pot, but here goes: We doubt that overproduction of goods or capital facilities was Public Enemy No. 1 in the last boom. We suspect that the big villain was excessive use of credit in *non-productive* purposes. The billions loaned by the banks on stocks and land raised prices but didn't create one iota of real wealth.

In terms of human needs, we are still deflated. The ideal credit control of the next few years should be rather more qualitative than quantitative. Whether it will be is something else again. The world has been tinkering with credit for centuries and still has plenty to learn about it.

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### Annual Dividend Forecast

#### Part II. Issue of February 13, 1937

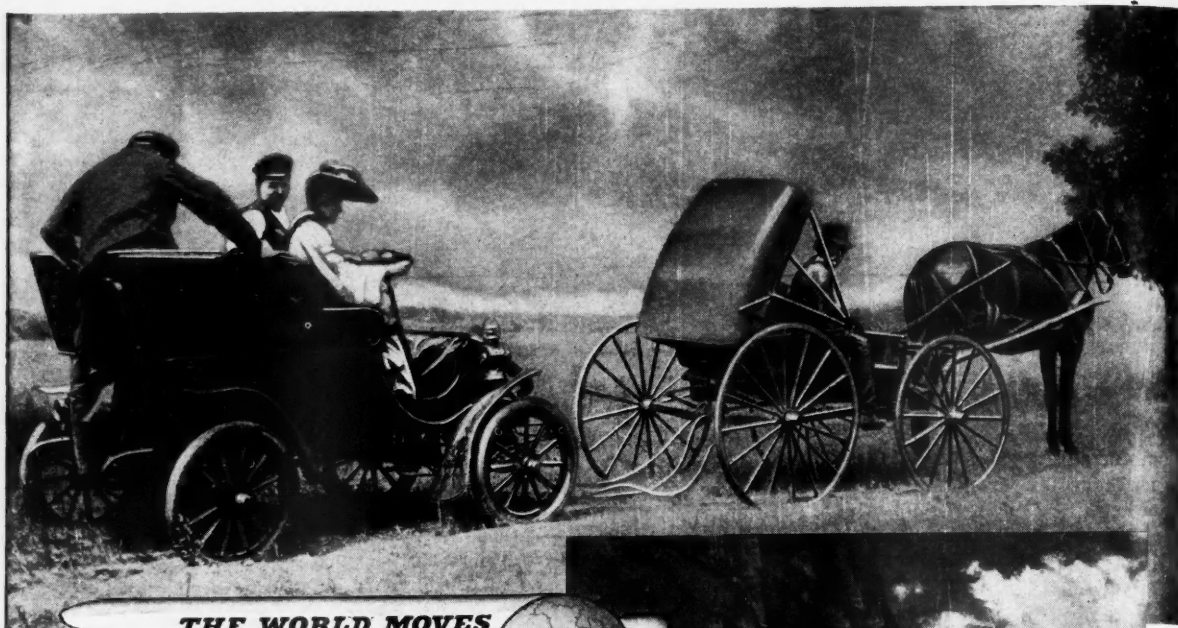
**Motors and Accessories, Steel, Movies, Food, Tobacco, Chemicals**

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#### Part III. Issue of February 27, 1937

**Oils, Metals, Aviation, Building, Merchandising and Miscellaneous Companies**

# From horse power to horsepower ... in one generation



**THE WORLD MOVES  
FORWARD WITH STEEL**

**I**N ONE GENERATION the rich man's luxury ... the automobile ... has become every man's necessity. It has given way to an entirely new kind of car ... not only far better than the old, but costing much less. Ten years ago the average price of cars per horsepower was \$31.50. Today it is \$7.80.

Improved steel has been one of the biggest reasons for this epoch-making progress. United States Steel produces more than a thousand different kinds of steel for use in automobiles. One kind gives you the springs on which cars float along. Another is "deep-drawn" nearly to a point in streamlined headlamps. A third produces precise gears of almost diamond hardness. Parts made from special alloy steels are light enough for speed and economy, yet strong enough for the terrific strain of modern traffic service. Parts made of stainless steel gleam like silver; they do not rust.

Is there still greater progress ahead? United States Steel believes so. Its workers and its laboratories are even now busy preparing for tomorrow's cars just as they helped produce today's.



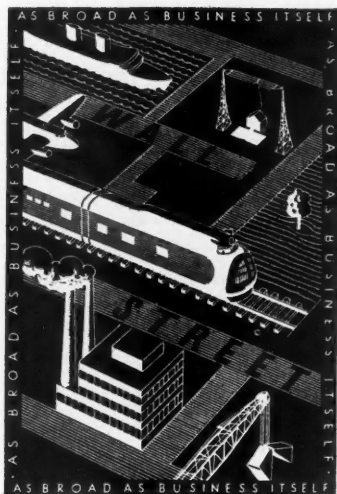
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CANADIAN BRIDGE COMPANY, LTD. • CARNEGIE-ILLINOIS STEEL CORPORATION • COLUMBIA STEEL COMPANY • CYCLONE FENCE COMPANY  
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**USS**

# UNITED STATES STEEL

# THE MAGAZINE OF WALL STREET

E. KENNETH BURGER, *Managing Editor* : C. G. WYCKOFF, *Publisher* : THEODORE M. KNAPPEN, LAURENCE STERN, *Associate Editors*



## The Trend of Events

**MILITARISM BACKFIRES . . .** The consequences of Japan's ambitious militarism of recent years are now coming home to roost in the form of rising national debt, soaring domestic prices, foreign exchange difficulties and rising public unrest and resentment. In the current session of the Diet the present Government is going to have a difficult time explaining and justifying its costly policies, now under growing attack by political parties having the support of the public and of the bulk of Japanese business.

It seems that the expensive aggression in Manchukuo has proved a grievous disappointment as regards economic benefits. The same was true years ago of the annexation of Korea. Apparently the way of the conqueror is not a smooth one. The more the Japanese army takes from China, the less the Japanese farmers and laborers seem to have.

The explanation rests upon a simple economic reality. A nation, like an individual, has only so much income. The larger the proportion spent for non-productive armaments and foreign adventures, the less will there be for the people's bread and meat. Like the Japanese, the German people are finding out the bitter truth as their living standard is increasingly sacrificed for the sake of mounting armaments while Hitler berates the world for an economic mess largely of his own making.

Unfortunately, the Nazi policy—unless reversed by

belated fear of its consequences—can only lead ultimately either to internal collapse or external explosion in the form of aggressive war. Japan, not yet completely Nazi-fied, is somewhat further from the brink but drifting dangerously toward it. It remains to be seen whether her militarists will temporize in an effort to appease hostile public sentiment or cast the die for a Fascist coup. We can take some comfort in the fact that the democratic nations are increasingly prosperous while most of the rest persist in making their own hard times still harder.

**TOWARD A HIGHER LIVING STANDARD . . .** We are evidently moving toward a greater centralization of power in the Federal Government than we have ever known before, whether that objective be attained by amendment of the Constitution or more "liberal" interpretation of the existing basic law—with or without Congressional tinkering with the Supreme Court. It can not be doubted that a considerable body of public opinion favors such change, especially among the low income groups. The most outspoken and coherent support comes from organized labor.

The human aspirations underlying this agitation have one common theme—a yearning among our least fortunate citizens for a higher standard of living and a faith

BUSINESS, FINANCIAL and INVESTMENT COUNSELORS · 1907 — "Over Twenty-Nine Years of Service" — 1937

that they can get it through action of a benevolent government. The wish has been publicly expressed by William Green, president of the American Federation of Labor in the assertion that every family should have a minimum income of at least \$3,600 a year. We agree, and so will everyone, that that would be highly desirable.

But how is such a goal to be achieved? It can not be had by fiat of government. It can not be had by waving a magic wand. Government as we have always known it is built essentially for regulatory action, not for creation; and whatever may be the need for more equitable distribution of present national income through the mechanics of government, the reality remains that the only way the American standard of living can be substantially raised is through a vast increase in the production of goods and services.

The present national income is around \$60,000,000,000. If it were divided with absolute equality—without special reward for superior ability—each family would have approximately \$1,850 a year. For each to have the \$3,600 suggested by Mr. Green would require equal division of a national income of \$115,200,000,000, which would be nearly double present income and 45 per cent above that of 1929.

It is not an impossible ultimate goal, but there is no short-cut and the great danger is that what at present appears to be a short-cut—via the road of higher prices and higher wages without proportionate increase in productivity—will prove to be a detour. It is not a doubled money income that our poor need but a doubled purchasing power. The only way to get it is to double present economic activity without increase in the cost of living. On any other approach, the hopes of the unfortunate—now being raised so high—are doomed to pathetic disappointment. Yet, given wise management—public and private—we should be able to move a considerable distance toward the objective during the next several years.

**ENVY OR CURIOSITY? . . .** In a competitive economic system it would seem a reasonable assumption that the vast majority of individuals drawing salaries of \$15,000 or more are fairly entitled to what they get for superior ability. Why, then, has Congress seen fit to force publication of all such salaries? Is it because an odium attaches to any remuneration above \$15,000? Is it merely to gratify a kind of Peeping-Tom curiosity?

We do not know the answers, but we are quite sure that this is a mischievous and unwarranted invasion of personal rights and that it serves no valid function. It is no more justified than was the famous "pink slip" publicity on income tax returns—a venture abandoned under a flood of public criticism.

Since the names and amounts have been duly paraded to public view, however, it may be just as well to point out that the sums stated are *before* income taxes. For those residing in New York State combined Federal and State tax on a \$15,000 salary is the tidy sum of \$1,664 or 11 per cent. On a \$50,000 salary it is \$12,419 or 24.8

per cent. On a \$100,000 salary it is \$38,144 or more than 38 per cent. This is assuming only head-of-family exemption and is a rough approximation, accurate enough to demonstrate that large salaries are not as large as the gross figures suggest.

**CHANGED DIVIDEND POLICY . . .** Investors accustomed to more or less "regular" dividends are going to have to adjust themselves to a new departure in corporate dividend policy. Due to the undistributed earnings tax, which puts a heavy penalty on retention of profits, more and more companies are adopting the policy of declaring "interim" dividends, to be followed by a "final" dividend near the close of the year. This practice has long been standard among British corporations.

One of the largest of the companies now adopting the "interim" dividend method is E. I. du Pont de Nemours & Co. Quite apart from the tax, the du Pont management believes the old policy of "regulars" and occasional "extras" had two disadvantages. First, it somewhat constrained directors to maintain a uniform rate at times when finances or changed economic conditions warranted change. Second, "extras" were subject to some misinterpretation as suggesting distribution of unexpected or immoderate profits. If the new method is in the company's interest, it follows that it is in the longer interest of shareholders.

**THE STABILIZATION FUND . . .** The mysterious manipulation of a \$2,000,000,000 Stabilization Fund by the Treasury naturally whets one's curiosity. What battles of wits have been fought with slick foreign powers in defense of the dollar? Did Uncle Sam outsmart adversaries and competitors or was he outsmarted?

Secretary Morgenthau gave a few facts to Congress in secret the other day, in asking continuation of the Fund—a continuation since granted. Two of these facts have leaked out. Mr. Morgenthau is reported to have said that the Fund shows a \$6,000,000 profit and that at no time was more than \$200,000,000 or 10 per cent in use. Apparently it serves as a Big Stick—favorite weapon of an earlier Roosevelt—although little used.

This, of course, is but a crumb of information. Was the \$200,000,000 used to support the dollar or the pound? Was it used to support the Government bond market? Was it used to support the price of silver? We are not likely to be told. Secrecy in the management of \$2,000,000,000 of public money is an anomaly in this democratic country but under present world monetary conditions is defensible.

**THE MARKET PROSPECT . . .** Our most recent investment advice will be found in the discussion of the prospective trend of the market on page 472. The counsel embodied in the feature should be considered in connection with all investment suggestions, elsewhere in this issue.

Monday, January 25, 1937.

# As I See It!

BY CHARLES BENEDICT

## FATHER OR STEP-FATHER?

I, FOR ONE, was deeply impressed with the tone of the President's inaugural address—with his expression of deep sympathy and fatherly solicitude for the people as a whole, especially those in want and poverty. He attacked only one class—big business—those whom he has long designated as "economic royalists."

As stockholders in big business, are we classed with this group?

We, the investors of the country—for THE MAGAZINE OF WALL STREET represents the investor in Wall Street, not the Wall Street institutions—would like to know where we stand with the President.

Are we going to be crushed in the battle between the President and those so-called "royalists"?

So many of us have accumulated our surplus funds as a result of hard and unremitting work in our businesses. Our savings are frequently the result of sacrifices in an endeavor to plan for the education and future of our families, and for the time when we will no longer be able to be so active,—and yet wish to maintain our standard of living and our position in the community in which we have established ourselves.

We are not of the class that seeks governmental subsidies or paternalism. We like to stand on our own feet and build our own future. But neither do we wish to be oppressed.

Being workers ourselves, we want labor to have a square deal. Also because we recognize that it is the spreading of wealth since the founding of the Republic in 1776 that has made possible the great country we have today—we are for a broader distribution of wealth,—but with justice and with fairness to all.

The number of "economic royalists" is infinitesimal compared to the number of investors in the

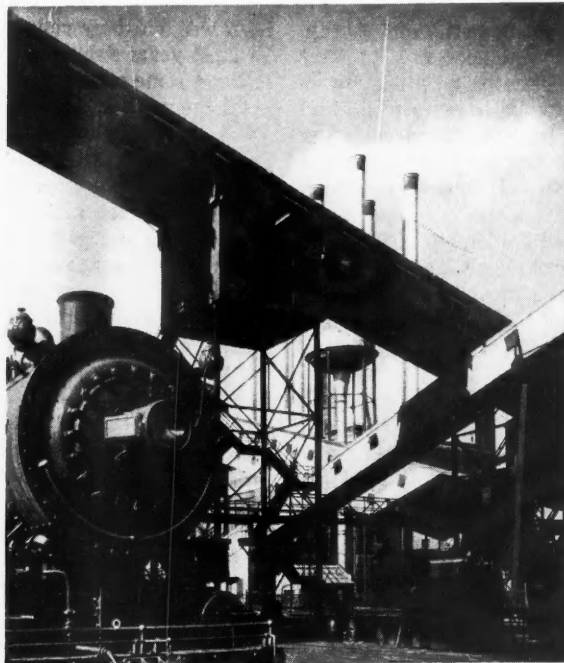
"comfortable" class to which we belong. It is we who own big industry. It is we who employ labor through this ownership. Are we going to be crushed because the President is at war with a few strong minds?

It is with a sense of outrage, therefore, that we hear Mr. Lewis demand that the President settle the strike his way, as a reward for his services against these so-called "economic royalists"—and for the assistance he gave during Election. This is the greatest piece of effrontery and impertinence that any citizen has ever offered the people of the United States. It indicates the contempt in which Mr. Lewis holds us all. It is a direct insult to the President. The idea that any organized group can demand that the President grant them favors at the expense of the rest of the people because they voted for him is not only shocking to our sense of decency, but constitutes a danger to the Republic.

Thousands of investors voted for the President with no other thought than the belief in his great capacity,—which no one can gainsay.

We, the investors of the United States, have been silent long enough. We now want to protest against any trespass on our citizenship. We do not wish anyone,—and certainly not Mr. Lewis to be dictator of labor. He, least of all, is made of the stuff that would give either labor or the investor a square deal. We have had enough of labor leaders who ride in private cars and who, while living in luxury, collect the meagre dollars of the poor, who can ill-afford it, to be used for the purpose of inciting strikes to further their personal ambitions. We do not want to be made to suffer the consequences of the feuds of politics, labor or industrial factions.

(Please turn to page 532)



Cowles Ford Motor Co.

# What's Ahead for the Market?

BY A. T. MILLER

**T**HE past three weeks have seen persistent extension of the selective bull market, with 3,000,000-share days becoming commonplace. The substantial broadening of speculative demand is reflected not only in expanded trading volume but even more strikingly by the fact that whereas the Dow-Jones industrial average of 30 leading issues at this writing has topped its November high by only 2 points or little more than 1 per cent, THE MAGAZINE OF WALL STREET'S composite average of 330 issues has bettered the peak of last November by some 12 points or 11 per cent.

As will be observed on the accompanying chart, the January advance has been remarkably steep; in fact, steeper than that in any single month during 1936 or 1935. Avid speculation in numerous low price equities naturally raises a question as to whether the character of the demand is deteriorating. It no doubt has, but whether it has reached or is close to a danger point is by no means certain.

As economic recovery broadens, more and more small or marginal companies begin to earn profits. With money still dirt cheap, despite a minor tightening in acceptances and rates for Treasury bills, and with many of the better grade stocks at relatively unattractive levels, both investment and speculative demand tends to filter down to securities of lower grade. We have seen this happen in speculative bonds and preferred stocks. It is now becoming increasingly pronounced in common stocks.

This is not to say that "good leadership" has disappeared, for at present we have simultaneously active speculation in many third grade stocks and continued demand for a fair percentage of high grade issues, notably among the heavy steels, electrical equipments, farm equipments and machinery makers.

We have repeatedly emphasized the opinion that in investment policy the only prudent course is to ignore the possibility of reactions such as can come at any time either in correction of over-fast advance or in reflection of unexpected external developments. There is no change in this view. Where substantial profits are shown on investment holdings, the individual considering the advisability of attempting to take profits and reinstate his position on a reaction must weigh not only the possible scope and time of such reaction but must also measure the possible advantage against his tax liability. It is a risk not worth taking.

On the contrary we would regard this as an opportune time to dispose of investment holdings which have not come up to the expectations which led to their purchase, whether due to faulty judgment or change in the factors originally existing. We believe the probability of intermediate reaction sometime in February or March is such as to justify retention of some cash, whether new funds or funds derived from liquidation of unpromising stocks—the latter to be considered as delayed switches. This concession to caution in investment policy after a period of concentrated advance is, of course, a wholly different procedure from cashing profits in favorably situated equities in the hope of replacing holdings to advantage.

In intermediate trading policy we believe that the risk of missing a few more points in the immediate advance is worth taking in order that trading capital will be available when reaction comes. Our reasons for favoring a conservative trading policy are partly internal and partly relate to external uncertainties. In many issues the technical position has

been weakened by concentrated and extended advance. In most years strong speculative enthusiasm in January has met some reverse by late February or March. Moreover, the market has now been advancing for nearly two years with only one intermediate reaction, that of last April. Unless all past speculative history is to be ignored, it would seem logical to proceed on the theory that the market will be even more irregular this year than during the past two years and that for the year as a whole average advance equal to that of either of the preceding two years is improbable.

It may be that the factors making for equity appreciation are stronger than ever before, but on the whole we are reluctant just yet to laugh off the precedent of the third year "jinx" that every past bull market—including that of 1924-1929—encountered.

Outside of the market we are not primarily concerned with the present disturbing labor situation, although it contains the seeds of possible serious set-back to business, but we do believe it the part of prudence to keep in mind the possibility that some move may at any time be made by the Roosevelt Administration to curb rising stock speculation.

It has been made wholly clear that the Administration's thoughts have turned from stimulation to control. A few months ago the market rise was the



**More than three weeks of fast advance has weakened the stock market's technical position and it would be vulnerable to any bad news. Caution in trading operations is advised. There is no change in selectively bullish investment policy.**

subject of considerable agitation at Washington, even though it was not then, and is not now, based on any excessive use of bank credit. There was much talk of possible preventive action. Except for the steps taken to sterilize gold imports, no action was taken. It is, we believe, a logical assumption that nothing further was done because the market flattened out during the next six weeks, with a decline in volume.

Now we see average volume rising again and a quickening of speculative tempo. We make no pretense of being able to forecast what the Administration may or will do, but if the concern so clearly indicated some weeks ago was not wholly meaningless, it would seem the part of trading prudence to allow for the possibility of repressive action before the present optimistic performance whets the speculative appetite much further.

What can the Government do? It could raise bank reserve requirements, which probably would have no great effect on speculation, especially since it has now been talked about for many weeks. It could scale down the capital gains tax, which would require some time to move through Congress but announcement of which, with Administration sponsorship, would no doubt precipitate some profit taking in stocks. Again, the Reserve Board can at any time raise margins further.

We have stated before the conviction that the bull market is founded on the combination of business recovery and Washington's cheap money policy. In neither of these factors is any appreciable change likely as far ahead as we can now see. The Government does not wish to halt orderly economic recovery nor gradual restoration of property values. It will not adopt a deflationary policy in money and credit control. Therefore, the underlying price trend will be maintained and it would even be quite possible to have a bull market on a wholly cash basis—but this is not to say that the Administration can not and will not apply curbs capable of producing a decidedly sobering effect upon the stock market at any time it feels such action is called for.

We have a feeling that not much more of the performance of recent weeks would be required to induce repressive action of one form or another. The technical position, after three weeks of fast advance, would be found vulnerable to any budget of bad news. The business position, though highly promising for the longer term, is not without elements of nearby danger, both in the labor situation and the prevalence of active forward stocking and commodity speculation in recent months. Taking all factors into account we would for the present temper bullishness with more than a mite of caution.





# Happening in Washington

BY E. K. T.

---

## WASHINGTON SEES

Labor peace a long way off.

President's reorganization plan facing rough sailing.

Relief appropriations continuing at high level.

Child labor regulation making headway.

Certain New Dealers showing vindictiveness.

Legislation to control bondholder and reorganization committees on the way.

Curbing of judicial power lurking in the offing.

---

**Pressure for settlement** of auto strike unquestionably has come from White House sub rosa but C. I. O. unions are reluctant to budge an inch, even though strike was slightly premature and got out of hand. Hope to crush General Motors by stopping output while competitors take the business. Most neutrals think C. I. O. will not gain recognition as sole bargaining agency for G. M. C., but only for its own members alongside A. F. of L. union and independent employees' alliance. This would be victory for G. M. C. but the process will cost much money, will take considerable time, and will not bring permanent labor peace. Moreover, while such an outcome will hamper, it will not stop, C. I. O. drive on steel and other industries.

President's position is a delicate one. If possible, he wants existing machinery rather than his personality or office to effect settlement. More important, he fears to take sides either in management vs. labor or in C. I. O. vs. A. F. of L.

**Reorganization troubles** face Roosevelt from many quarters. Economy bloc in Congress insists on showing

of immediate and substantial savings from reorganization, while proposals of President's (Brownlow) committee promise only such economies as may eventually result from efficiency. Others oppose the enormous increase recommended in President's power, both generally and in shifting bureaus among departments; also major changes in budget and accounting procedure. Big fight looms on placing independent regulatory commissions even half-way in executive departments.

Congress will establish the two new departments asked—Social Welfare and Public Works—but may keep the say as to what bureaus go into them; will broaden civil service greatly but not raise high salaries nor abandon all patronage; and will give the President more assistants. Other parts of the program are in doubt.

**Business interest** in reorganization, generally speaking, is academic unless it lightens tax load. But individual business men dealing with gov't will benefit by anything to reduce red tape, increase efficiency. President's plan calls for such gradual reshuffling and elimination of bureaus that contacts with business would not be much disturbed. Of interest is constant parallel Brownlow report draws between its recommendations for administrative management and best business practice of large corporations.

**Business regulation** by independent commissions (I C C, Federal Trade, Power, Communications, etc.) might suffer under Brownlow proposal to put their administrative functions under regular departments. Report says this would improve efficiency and economy and separate prosecuting and judicial functions without sacrificing independence of judgment, but critics are dubious. Fear President and cabinet officers could and would influence enforcement policies.

**Food and drug legislation** this session predicted by all legislators. Senator Copeland's revised bill comes nearest pleasing all interests than other current or old drafts. Federal Trade Commission loses nothing, gains nothing, and may delay passage by fighting for control of all advertising.

**Relief funds** will be upped over President's minimum figures. Strong pressure within and without Congress for continued free spending, and this will overcome the

less-strong desire for balanced budget. Also administration does not want to curtail consumption and retail trade by drastic relief cuts.

**Child labor** bills being introduced daily. Best bet is Clark-Connery bill providing that goods sold in a state from interstate commerce are subject to state child labor laws as though produced there. Probably will pass. Then one big state could close its markets to child-made goods and force other states to meet its standards, thus accomplishing object of child labor amendment in short time without bringing federal interference in local matters.

Both have similar bill applying to all state labor laws, but adequacy of state police power to cover more than child labor is doubtful.

**Vindictiveness** of New Dealers against any who oppose their plans is shown in efforts of public power ownership zealots to impeach federal judge who enjoined T V A construction. Also move of La-Follette civil (labor) liberties investigation to smear General Motors control, financing and policies as offset to strike deadlock. Likewise exhibited in bitter, partisan annual report of National Labor Relations Board attacking employer policies generally.

**Air safety** measures promise to be big issue in Congress. Commerce Department hastens to circulate tentative draft of new regulations while group in Congress, hinting scandals, talk of investigating the Department and taking air traffic control away from it.

**Farmer organization** in every county under auspices (control?) of Department of Agriculture is aim of certain high New Dealers. Partly to offset lobbying from present organizations considered unrepresentative pressure groups, partly to enforce "voluntary" crop curtailment program and assist in crop insurance, soil conservation, and other federal farm projects.

**Bondholder and reorganization** committee control legislation will be recommended to Congress by S E C shortly, culminating three-year study. Investment trust regulation may be proposed late in session but not in time for action this year.

**Reciprocal trade** agreements program faces pro forma fight by Republicans, joined by some Democrats from agricultural states, but

administration will get its law continuing authority to negotiate such treaties without Senate ratification. Only concession will be requirement for more publicity during negotiation, which State Department is now ready to grant.

**Walsh-Healey** act revision to plug loopholes will be asked by Labor Department. Miss Perkins wants present \$10,000 exemption reduced to \$2,000. But her subordinates who administer it say privately that the job of policing so many small contracts would far outweigh benefits to labor which might be obtained. They think \$5,000 limit about right, and this figure may be accepted by Congress.

**Auto traffic** regulation by federal law, long considered a remote possibility, now takes shape in several bills before Congress. These would prevent any person driving car in interstate commerce not having driver's license of type specified. Since only 21 states (Please turn to page 528)



TO PRUNE OR NOT TO PRUNE?

# Orders for 30 Billion Dollars Worth of Goods?

BY JOHN D. C. WELDON

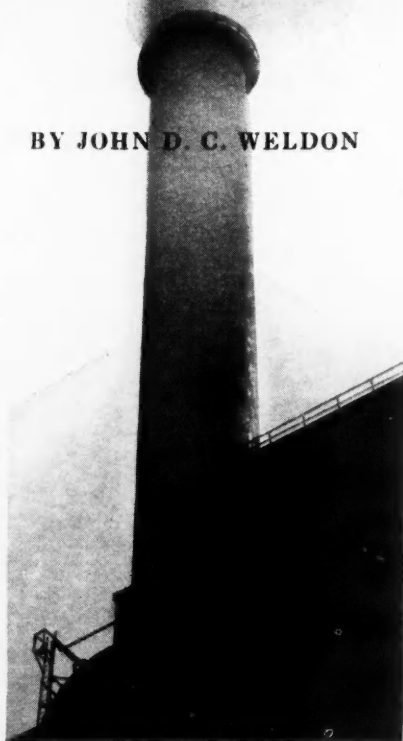
**A**T the end of 1936, despite substantial economic recovery, the accumulated deficiency in durable goods amounted to between \$25,000,000,000 and \$30,000,000,000.

To make up this shortage and provide our people with goods equal, on a per capita basis, to those provided in the late twenties would require average annual output of approximately \$33,000,000,000 of durable goods over the next five years, an annual total some 57 per cent larger than actual 1936 production, amounting to approximately \$21,000,000,000.

These conclusions, of vital interest to every business man and investor, are contained in Chapter VIII of a book entitled "The Recovery Problem in the United States," just issued by The Brookings Institution, an endowed organization whose work in objective economic research has come to possess a repute somewhat analogous to that of the Rockefeller Institute in medicine or the Russell Sage Foundation in sociology. The data and opinions made public in this exhaustive study were assembled by a group of distinguished experts, with the participation and general supervision of Harold G. Moulton, president of The Brookings Institution.

At a time when some business indexes purport to show a level of economic activity approaching that of 1929, when there is clamor for an arbitrary shortening of the work week as a "solution" of our recovery problem, and when the Roosevelt Administration is evidencing some fear of an incipient "over-production," this realistic appraisal of our actual economic situation—showing the need of a greatly expanded production for some years to come—is of profound and arresting significance.

At a time when some of the objectives of organized labor and some of the policies of government lean



toward repression of production and reflect an essentially defeatist belief that our primary need is a more equitable distribution of present production—whereas, however real this need, it is secondary to the need for more production—this citation of our enormous potentialities for sound economic expansion comes like an invigorating blast of fresh air.

"The backlog of requirements in the field of durable goods is so great," these investigators hold, "that we do not need to wait upon the development of any new industries to lead the way forward. The mere process of making good deferred maintenance and expanding production sufficiently to provide an increase population with the usual types of consumption goods would tax the nation's productive energies for some years. The opportunity for a great expansion along clearly defined, established lines has never been greater than it is today."

This brief article will make no attempt to review, as a whole, a monumental book which deals with every pertinent aspect of our present economic position and its potentialities. The volume itself merits the attention of readers of this magazine, and it would not be possible in any limited space to summarize adequately its data and conclusions. Our purpose here is to summarize merely that portion of the study which so strikingly reveals the need of and opportunity for a vast increase in industrial production.

Let us begin with the assertion that, with allowance for growth of population and normal progress, the 1936 output of goods and services appears to be 25-30 per cent below that of 1929. Of this indicated deficiency, the greater portion by far centers in durable goods, the output of which—for reasons well known to our read-

ers—declined much more in depression than did production of consumption goods.

For the purposes of the survey, durable goods are defined as goods having a normal useful life in excess of three years. They include buildings of all kinds, producers' plant and equipment, public works, and consumers' goods such as automobiles, refrigerators, washing machines, radios, oil burners, furniture, etc. The common characteristic of capital goods and of durable consumers' goods is postponability of demand. Because demand for such goods was deferred in the depression years—unlike, for example, the demand for food—a tremendous accumulated deficiency was established.

In the order named, we will herewith review the survey's findings as to existing deficiencies and the minimum needs for the next five years in residential construction, passenger automobiles, other consumers' durable goods, maintenance of steam railroads, public utilities, industrial enterprises, agriculture, and public and semi-public construction.

Because of the long life of houses, readjustments in factors of supply and demand require a long time to work themselves out, and there is some evidence of the existence of a typical building cycle of from fifteen to twenty years' duration. The peak of residential construction was reached in 1925 with approximately 900,000 units. By 1929 this was reduced by one-half and in 1934—the low year—only 60,000 units were built or less than 7 per cent of the 1925 total. The doubling up of families, postponed marriages and a shift of urban population to farms caused vacancies to rise, at the bottom of the depression, to a total of some 8 per cent of all urban dwelling units. The first two of these factors are clearly temporary and, as to the third, a return flow from farm to city has already begun to become increasingly more apparent daily.

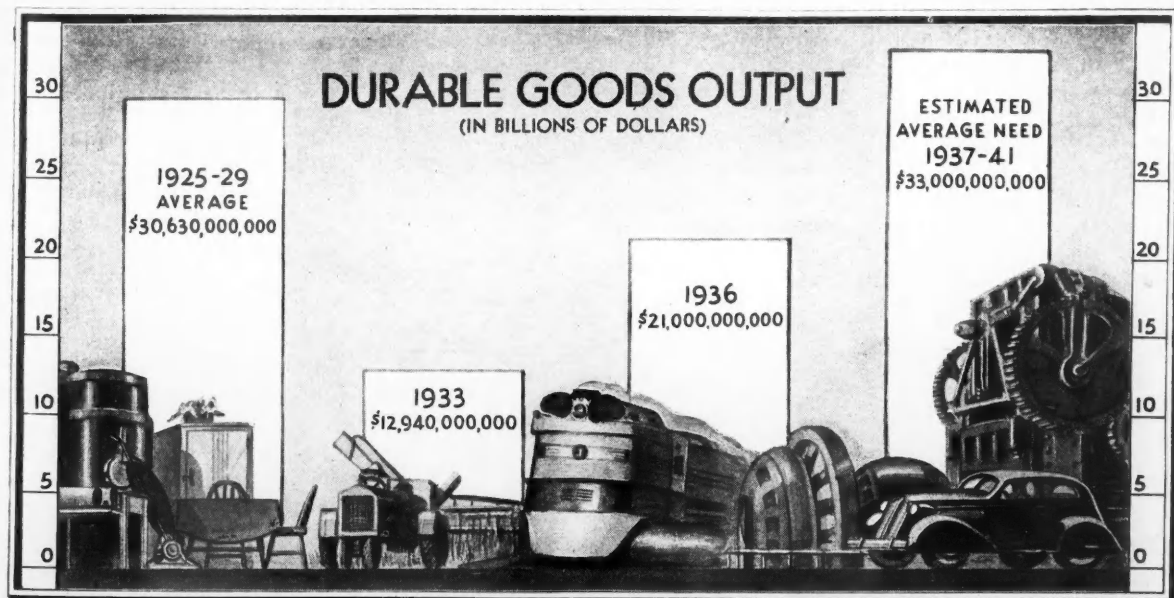
The housing needs of the next five years, as projected in this study, depend on (1) the present accumulated deficiency resulting from population growth and

restricted construction during the past seven years; (2) the increase in number of families to be expected over the next five years; and (3) the rate of demolition of present houses. On a conservative basis, the accumulated deficiency, 1930-1936, is placed at 2,000,000 housing units; the increase in urban families, 1937-1941, is estimated as requiring 2,000,000 units; and allowance of 500,000 units is made for demolished housing to be replaced during 1937-1941.

If spread equally over the five-year period the total number of units required would be approximately 900,000 a year, representing a value at current prices of over \$4,000,000,000 a year. Repairs on the housing inventory as a whole would increase this annual total to about \$5,000,000,000. The figures relate only to non-farm residential building. No allowance is made for possible wholesale destruction of old houses, either as a result of social slum-clearance programs or because of new developments in housing construction which would provide better accommodations at considerably reduced costs.

The average annual requirements of 900,000 housing units for the next five years compares with an actual average of 750,000 during the five years 1925-1929 and with an average of only 160,000 during the past seven years. To give this country by 1941 housing facilities equal, on a per capita basis, to those of 1929 would require an average annual construction about 20 per cent greater than during 1925-1929 and three times as great as actual residential construction last year. This, of course, is not a prophecy of the actual volume of residential building that will be undertaken. It is an estimate of minimum human needs and, therefore, of potentialities.

Next we turn to passenger automobiles. No doubt the motor industry is approaching economy maturity, with its line of long-term growth already flattened out. Nevertheless, the estimates of the Brookings Institution indicate potential volume for the next five years somewhat above that of the prosperous 1925-1929 period, in





Nesmith

terms of units. Purchase and repair of automobiles during 1925-1929 amounted to roughly \$4,000,000,000 a year.

The number of cars in use is comparable to that of 1929, but the big difference is a qualitative one. Because of the rapid expansion in purchase of cars in the five years prior to 1930, entering the depression the car inventory was overweighted with young units and contained an exceptionally large volume of unconsumed mileage. It is estimated that unconsumed mileage in the total car inventory fell from 1,067 billions of miles at the end of 1929 to 671 billions at the end of 1934. Indeed, 1936 was the first year since 1929 in which there was any expansion of unconsumed mileage in the inventory.

The present passenger car inventory is thus overweighted with old units. As compared with the end of 1929, the number of cars less than three years of age is smaller by 2,000,000, while those under four years old are smaller by nearly 4,000,000. Millions of people are driving cars older than they were accustomed, in good times, to trade in for new cars; and the same applies to used cars.

"This qualitative deficiency of the present inventory in relation to the prosperity standards of the car-using public is certain to take the form of released demand with improvement in economic conditions," the analysis asserts. "It should be added in this connection that the large number of old cars in the present stock indicates exceptionally heavy scrappage in the near future, a factor that will convert a qualitative deficiency into a quantitative one."

Moreover, the number of cars in use has not

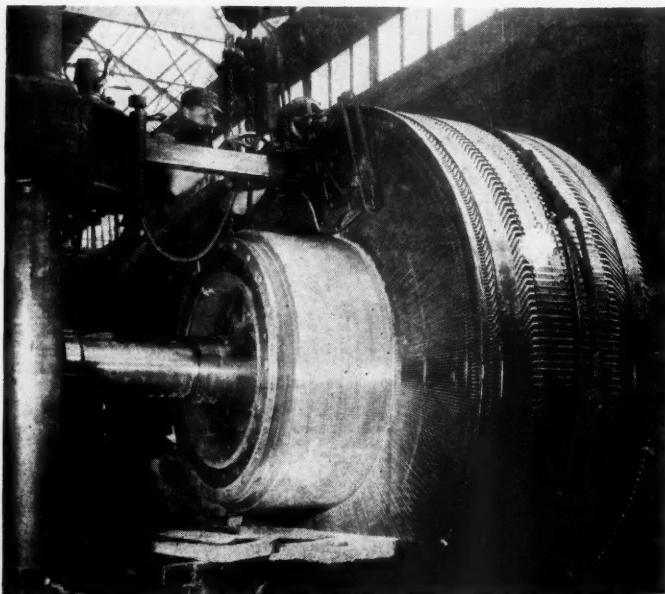
increased since 1929 in proportion to population growth, suggesting potentiality for considerable expansion even if the ratio of cars to family population remained unchanged. That ratio, however, was expanding before the depression, and it is possible that return of prosperity and normal employment may bring considerably higher ratios than prevailed in the late twenties.

The total requirement of passenger cars for the next five years is computed at roughly 20,000,000 or an average annually of 4,000,000 units. This compares with average annual domestic sales of about 3,400,000 in the 1925-1929 period and on the basis of present average price would represent annual average expenditure of approximately \$3,000,000,000.

Other consumers' durable goods, such as furniture, refrigerators, vacuum cleaners, washing machines, ironers, radios and mechanical household equipment generally, are estimated to have had a total average annual volume in excess of \$5,000,000,000 during the late twenties. Some of these goods, such as mechanical refrigerators, are either new or have but recently been made available to a mass market and now enjoy record high volume.

Nevertheless in this broad classification of "all other consumers' durable goods" the bulk of the demand is of a replacement nature. The life of such products is not long and most are subject to rapid obsolescence either from mechanical improvements or style changes or both. Although statistical data in this field is far from complete, it appears certain that some quantitative deficiency exists, while an accumulation of qualitative deficiency is subject to even less doubt. As was true of automobiles, the inventory of some of these goods at the start of the depression was overweighted with "young" articles, due to exceptional demand in the 1925-1929 period. Conversely, especially as regards furniture, radios and other longer established articles, the present inventory is overweighted with old and obsolescent goods.

(Please turn to page 524)



Courtesy Westinghouse Electric & Mfg. Co.

# The Ghost of N R A Stalks Again

BY THEODORE M. KNAPPEN

**T**HERE will be no return of N R A. There will be nothing that will be called N R A or designated as a substitute for it; but the N R A of 1933-34 will be a pale ghost of the unassembled N R A which we will get out of the vast legislative incubations now on the way.

The Secretary of Labor says the government must lead, that it would be in the right direction to have voluntary agreements on shorter hours and minimum fair wages within industries and possibly between industries, but she is skeptical of arrival at such a goal without legislative compulsion. She declares in her annual report that minimum standards and working conditions, compulsory insurance, and so forth, may be had voluntarily, but that more desirable standards may be attained only by legislation.

Senator O'Mahoney of Wyoming is leading a charge to attain Federal regulation of interstate business by means of a law licensing state corporations engaged in such business. Senator Borah has a bill facing in the same direction but with a different approach. Major George L. Berry of the Council for Industrial Progress, which is a pet device of the President's, has a program which many observers think will, in the end, come close to representing the conglomerate legislation now in prospect. The Industrial Conference drafted its program in March, 1936, and recently, Major Berry has emphasized these three objectives of the joint "management-labor" Council for Industrial Progress:

1. Federal aid to small business enterprises.
2. A permanent economic advisory commission— which is where the economic planning comes in.
3. Establishment by law of maximum hours of work

## Maximum Employment at High Rates Essential

says **GEORGE L. BERRY**

(Co-ordinator for Industrial Co-operation)

The Nation's productive facilities can not be fully utilized unless we have the collective power to consume what we can collectively produce. Only thus can we attain a high standard of living and a stable economy. The wage earner and the farmer constitute the market for industry's product. They can not buy unless they earn. Maximum employment at high rates of compensation is the fly wheel of progress. That is the objective for which all must work. But how?

Remove hours of work, wages and child labor from competition. Restrain the employer who would exploit the employee to gain an unfair competitive advantage. Restrain the man who would exploit his competitors by resort to unconscionable and destructive methods of competition.

Industry generally has failed in its attempts voluntarily to restrain itself. The Government must do the restraining, but through the courts, as a matter of law enforcement. Plenary power to regulate must not again be vested in a Governmental administrative agency or in any group, however selected, in an industry.

and minimum wages in industry, abolition of child labor and prevention of unfair methods of competition.

It is proposed not only to defend small enterprises but to encourage and help them. One of the bills proposes Federal insurance of loans by banks and other private lending institutions to small enterprises. The permanent economic commission purposes to spare small industries from the evils of their own inter-competition. At the same time however, that it "stabilizes employment" it aims to prevent little business from falling into stagnation and another depression.

Major Berry and his friends are going to make it exceedingly difficult for "competitive practices" to sweat labor in general, employ children, and destroy generally the rule of the tooth and claw in industrial jungles.

No single new administrative body is to be created, but the Federal Trade Commission, enlarged to nine members, with equal representation of the public, management and labor, will generally direct the new order.

Major Berry's general objective is to make all industry well-behaved and at the same time most successfully acquisitive. He seems

to have a good deal of respect for the state laws and under his plans any legislation will not get very far that invites a clash with the Supreme Court.

Donald Richberg is back in the public forum again with proposals for advancing toward the millenium by means of amending the anti-trust laws. Major Berry is in favor of modifying the anti-trust laws to the end that "co-operative action among competitors to eliminate unfair practices will not be in jeopardy from statutes." There is no purpose in this (Please turn to page 522)

# Reorganized — Rejuvenated

BY WARD GATES

**T**HE Colorado Fuel & Iron Company, founded more than half a century ago to serve the sparsely settled but fast-growing West, is now the biggest steel enterprise west of Chicago and the third largest producer of rails. The trains of the West, from the grimy monstrosities of fifty years ago to the slick flyers of today, have rolled over countless thousands of miles of "C. F. & I." rails. The "C. F. & I." fencing woven, over the same decades, for the Western cattlemen and farmers would girdle the earth six times.

All of this sounds impressive, but to get the picture straight it must be noted that it amounts to saying Colorado Fuel & Iron is a big frog in a relatively small pond. Steel production west of Chicago is a small percentage of the national total. The sum spent in a single year for improvement of facilities by any one of several steel giants will exceed the total "C. F. & I." assets.

Yet there are some distinct advantages in being the big frog in your own modest pond. Moreover, sheer size carries no assurance of profits and from the point of view of the individual shareholder or potential buyer the question whether a company's total income is \$1,000,000 or \$10,000,000 is of largely academic interest. Net income *per share* is what chiefly determines the market valuation of any equity and the dividends, if any, that are likely to be paid upon it.

Thus, while Colorado Fuel & Iron is no giant, as steel companies go, its capitalization is commensurately modest. The trend of volume is in its favor. Its funded debt and fixed charges have been drastically reduced by a thorough reorganization. It is currently showing substantial earning power and its earnings per share are appraised in the stock market at a more reasonable ratio than is true of the majority of steel equities. In short, reorganized and revitalized, its potentialities appear such as to merit speculative consideration.

Two things determine the location of a successful steel enterprise—proximity of raw materials and proximity of markets. The ideal set-up would be deposits of iron ore, coal and limestone and fabricating steel mills all next door to the biggest market. The absolute ideal does not exist. The Birmingham steel district would be the greatest in the country, due to the highly favorable proximity of ore, coal and limestone—if the industrial activity of the Middle West and Middle Atlantic States happened to be concentrated in Alabama, Georgia and Tennessee.

On the side of raw materials Colorado Fuel & Iron is likewise in a strong position. It owns extensive iron ore, coal and limestone properties in Colorado in economic proximity to its steel mill near Pueblo and additional similar sources of raw materials in Wyoming and New Mexico.

Obviously, however, its markets are not to be compared to those of the big eastern steel companies, either as to size or diversification. Its natural market, in which it has an advantage of proximity and

therefore in transportation costs—very important in heavy steel products—lies generally west of Missouri and East of California. Its territory embraces Colorado, Wyoming, Montana, the Dakotas, Utah, Kansas, New Mexico, Oklahoma and North Texas.

That region accounts for less than 6 per cent of the total industrial activity of the country and the character of its economy accounts very largely for the character of "C. F. & I." products. Rails normally make up from 50 to 70 per cent of total volume. In terms of capacity, rails account for 37 per cent; wire products 36 per cent; tin plate and bar strips for 12 per cent; merchant and concrete bars, 8 per cent; light and heavy structural steels 4 per cent; miscellaneous steels, 3 per cent.

In recent years the outstanding development in steel has been the dynamic growth in demand for steel sheets.



so largely used in manufacture of automobiles and other consumers' durable goods. Heavy steel companies such as Bethlehem and United States Steel have largely centered their recent capital expenditures in additional facilities for sheets and other steels going largely into consumer goods.

This is not for Colorado Fuel & Iron, although it has launched an extensive modernization program and will at least to a moderate extent increase its diversification. There is no point in making sheets in Colorado when the markets lie chiefly in the Middle West and East. For an indefinite time, if not permanently, the backbone of the "C. F. & I." business will be rails, followed by wire products and other items as listed above.

The railroads of this country, of course, are built and rails are subject to replacement demand almost exclusively. Nor is there apparent prospect of dynamic growth in demand for steels used in mining, in construction, on the farms and in such industrial markets as exist in the "C. F. & I." territory. This amounts to saying that the company is inherently a "Prince and Pauper" enterprise, but in varying degrees the same has always been true of most all steel companies and probably always will be true. It is a characteristic that precludes ranking any steel stock as an investment, but by the same token it enhances the speculative potentialities. The question is not whether to buy "C. F. & I." stock, put it away in your box and forget it—that would be very foolish policy with respect to all steel stocks and, in fact, to almost any kind of equity—but whether there is reasonable prospect of substantial appreciation for the buyer shrewd enough to sell out somewhere along the recovery road when things are looking very, very good.

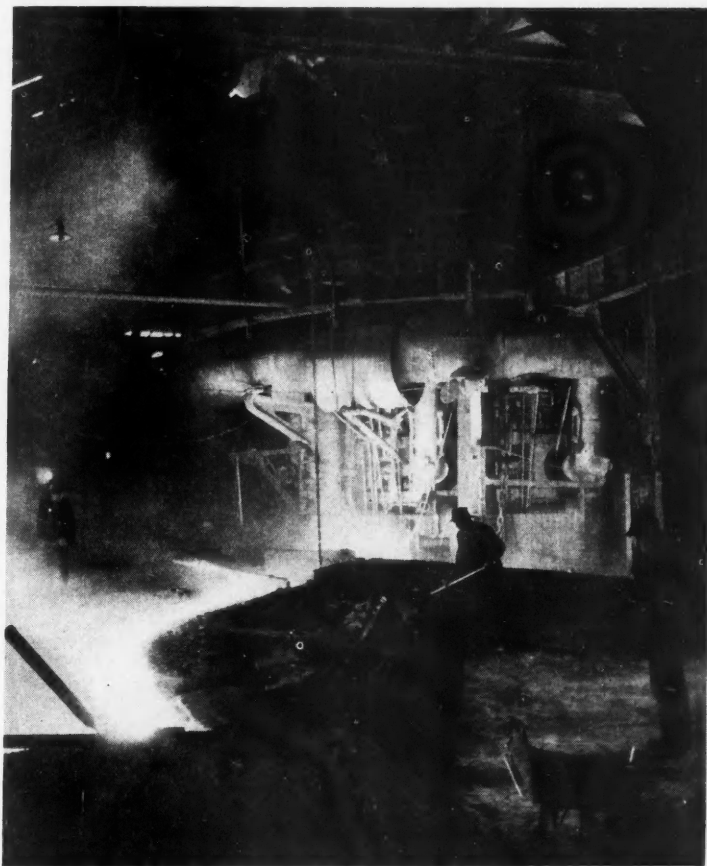
Bearing upon that question, the primary fact is that the depression cycle in demand for rails has definitely turned but recovery still appears to have some distance to go. The 1936 output of rails is estimated at approximately 1,202,000 tons or nearly three times that of 1932, which was the low year, and comparing with 711,537 tons in 1935. What is the normal market for rails? No absolute answer is possible, but the average annual volume during the eight years 1922-1929 was 2,719,000 tons. That did not represent any speculative excess, for if we eliminate the years 1927-1929 we find average annual volume for the five years 1922-1926 was 2,703,000 tons. Then, as now, it was preponderantly replacement demand.

Taking full account of such permanent diversion of traffic to other forms of transport as may have occurred, and without making any allowance for accumulated deficiency, it would seem a reasonable assumption that there is normal replacement need for at least 2,000,000 tons of rails a year or approximately 66 per cent more than the volume for the year 1936.

The price of rails is standard. Therefore virtually the only competitive advantage any rail mill has, assuming identical quality of product, lies in geographical location. Colorado Fuel & Iron numbers among its rail customers such roads as Atchison, Southern Pacific, Western Pacific, Texas & Pacific, Missouri Pacific, Burlington, International Great Northern, Rock Island and various others. Over much of the territory of these and other western railroads "C. F. & I." rails have the inherent advantage of lowest delivered cost.

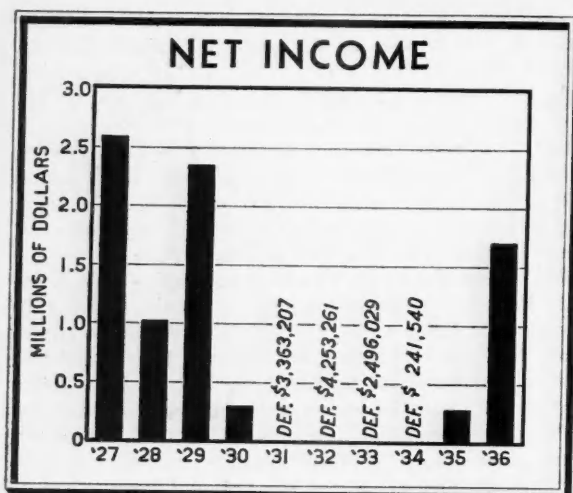
Thus when the western carriers are buying rails, Colorado Fuel & Iron makes money—not only out of rails but also its other steels, for the same economic conditions that lead railroads to increase their purchases swell the demand for all kinds of steel. As the above partial list indicates, some of the finest and strongest railroads in the country traverse "C. F. & I." territory. Throughout much of that territory current gains in business activity are above the national average.

Heavy rail orders recently placed with "C. F. & I." include 99,408 tons from the Atchison, 15,000 tons from the Burlington and 11,000 tons from Missouri Pacific. From present indications it is probable that the company will roll more than \$12,000,000 worth of rails this year. Most of the present backlog of orders, of course, was booked prior to December 1 at the old rail price of



Photos illustrating this article used by courtesy of Colorado Fuel & Iron Co.

"River of Iron":—The furnace is "tapped" and the stream of white hot molten metal flows slowly down through a sand trough into huge ladles



\$36.375. While advancing costs, notably in labor, will tend on the one hand to restrict the profit margin on this business, there is an opposite tendency toward reduced unit costs made possible by engagement of a larger percentage of rail-making capacity.

Additional rail business booked this year will be at the new price of \$39 per ton and will show a better profit margin than obtains on current production. Ultimately, if the present general rising trend of prices continues, the rail makers no doubt can re-establish the price of \$43 per ton which prevailed for many years.

Meanwhile, at least for the next few months, it may very well be that incoming orders will fall substantially under those brought in late in 1936 by anticipation of the higher price. Temporarily also, uncertainty as to the trend of railroad legislation in Congress and the outcome of pending wage demands may tend to hold down further rail buying. Thus far the recovery in rail buying has been somewhat erratic. For example, volume in 1935 was substantially less than that in 1934—711,537 tons against 1,010,224 tons. It would be possible for the recent buying spurt to be followed by another "off" year, but this will depend upon the year's course of business activity and traffic and to a lesser extent upon legislative developments.

Whatever the present uncertainties as to additional rail orders, the fact remains that the underlying trend is favorable, the company is assured of a profitable rail volume on the basis of orders already on hand and the reduction of fixed charges effected in last year's reorganization has been of such magnitude as to increase substantially net income derived from any volume above the "break even" point.

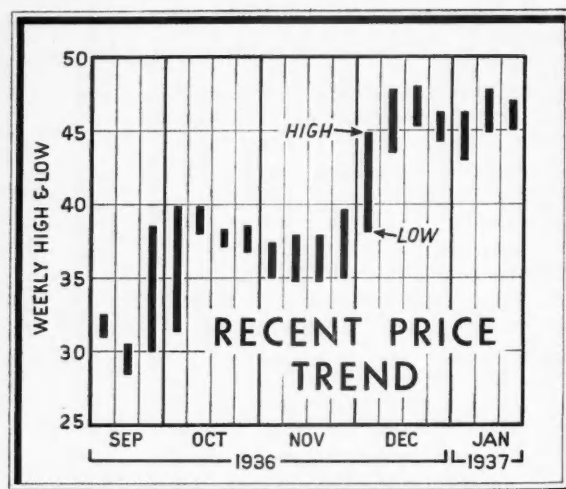
The reorganization was made necessary by the company's inability to meet charges on the former funded debt of approximately \$32,000,000, under the terrific impact of the worst depression of modern times. Previous to the depression "C. F. & I." had covered all charges by a liberal margin and had shown substantial, though widely fluctuating, earnings on its old common stock. For the period 1925-1929 earnings on the common ranged from a low of \$2.50 to a high of \$7.60 and averaged about \$5.65.

The old capitalization consisted of \$32,100,000 funded debt, 20,000 shares of \$8 cumulative preferred stock of \$100 par value and 340,000 shares of common. In the reorganization preferred and common shareholders were virtually wiped out, but did receive warrants entitling them to purchase a total of 315,379 shares of the new common at a price of \$35 per share at any time up to and including February 1, 1950. Bondholders, in return for a large scale down of the debt, were given 552,600 shares of new common. The resulting capitalization thus became \$15,536,200 in funded debt—or less than half of former debt—and 552,600 shares of capital stock, which is subject to eventual increase by 315,379 shares when and as warrants are exercised.

Of the present debt of \$15,536,200, the greater part, or \$11,000,000, consists of 5 per cent income-mortgage bonds on which interest will be paid only to the extent earned and at the discretion of directors up to March 1, 1938. Earned interest during this period will be cumulative and after April 1, 1938, total rate of 5 per cent will be cumulative and must be paid unless such payment would reduce current assets below \$5,000,000.

Formerly fixed charges were approximately \$1,600,000. At present they amount to \$224,000 fixed charges and \$553,000 contingent charges, a total of \$777,000 or less than half former figure. The difference amounts to more than \$1.40 per share on present capital stock outstanding. Exercise of outstanding warrants will not dilute the equity but further improve financial position because it is provided that funds so obtained will be used to retire the income 5's.

It is worth noting that depreciation policy appears



### Before and After Reorganization

	Old Company	Present Company
Funded Debt.....	\$32,100,000	\$15,536,200
\$8 Preferred Stock.....	20,000 shares	.....
Common Stock.....	340,000 shares	552,600 shares
Warrants to buy Common.....	.....	315,379
Fixed charges.....	\$1,600,000	\$224,000
Contingent charges.....	.....	\$553,000

ultra-conservative. Property account is now carried at only approximately \$35,200,000—a figure arrived at by two independent appraisals incident to the reorganization—as compared with about \$61,000,000 in 1929. Yet depreciation is being charged at about the same annual rate as in 1929 when it was \$2,130,000. The latter figure was about 3.50 per cent on 1929 property account but 6 per cent on present property account. If depreciation were being applied at the pre-depression rate, balance for the common stock would be substantially higher than is now being reported.

Even so earnings on the stock for the third quarter of last year were 61 cents and for the first nine months, on the basis of present capitalization, were \$2.78 cents. It is understood that the final quarter contributed little to profits, due to temporary closing of the rail mill, which started again on January 4. On the whole, it appears a reasonable estimate that the company's current earning power is at a rate between \$3.50 and \$4 a year and that potential earning power—given virtually capacity operation—would be close to \$6 a year.

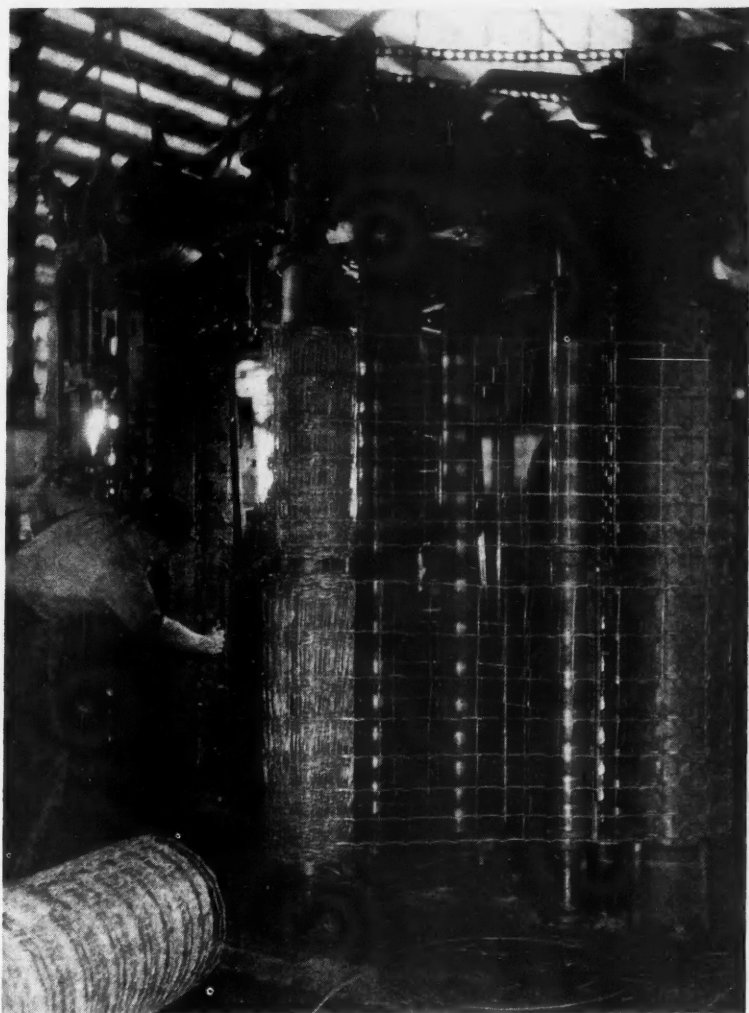
The stock is in limited market supply, and hence subject to volatile fluctuation. The biggest stockholder is Rockefeller Center, Inc., which as of October 31, 1936, held 277,140 shares or 50.14 per cent. As this large holding implies, "C. F. & I." is and long has been a "Rockefeller enterprise."

As of the same date J. & W. Seligman & Co., reorganization managers, had 21,131 shares of stock registered in their names. Among warrant holders the firm of Jessup & Lamont held 24,847 or 13.16 per cent of total. Butler,

Herrick & Marshall held 22,050 or 11.85 per cent and Bertram Cutler, a director, held 19,089 of 10.26 per cent.

In its physical set-up a strong advantage is the fact that the rolling and finishing facilities of the 600-acre plant at Minnequa, near Pueblo, are well balanced with the ingot capacity of about 890,000 gross tons a year. On the other hand, some of the facilities have become obsolete, and a comprehensive modernization and betterment program provided for in the reorganization will stand the company in good stead. About \$1,500,000 will be used to improve the Minnequa steel plant, increase product diversification and provide expanded and much needed warehouse facilities. Another \$1,000,000 will be used on improvements at various mines in Colorado and New Mexico and on preliminary development of new and valuable ore bodies recently discovered at the "C. F. & I." mine near Sunrise, Wyoming.

"Business development of the vast area of which Denver is the trade center will require more steel in the



Fence wire, woven at Minnequa, Col., plant, is second to rails in "C. F. & I." operations. Other products include track accessories, merchant bars and shapes, reinforcing bars, grinding rods, mine fittings, water and gas pipe, spikes, bolts, rivets, nails, coal, coke, creosote, benzol, crude tar, motor fuel, sulphate of ammonia, etc.

early future," states Arthur Roeder, president, "and we want to be prepared to meet the demand. The outlook for our territory is very good. We are investing this money in the belief it will be better."

Although no break-down is given, coal and coke operations are an important source of income. In 1925, last year in which segregated figures were published, the fuel department accounted for 32 per cent of gross.

Working capital position of the company is comfortable, most recent balance sheet showing current assets of approximately \$12,400,000—including \$5,500,000 cash—and current liabilities of only \$3,200,000.

Selling currently around \$46 per share, the stock is appraised at 12 to 13 times estimated current earning power and less than 10 times potential earning power under the maximum volume that full recovery in steel demand would provide. Around such quotation it would appear that considerable speculative merit attaches to the equity.

# Mexico Goes Left

**More Than \$600,000,000 of American Investments Are Threatened by Rising Radicalism**

BY CHESTER LLOYD JONES

**T**HE arrival of Trotsky in Mexico, interpreted in such divergent fashion by outside observers, has created within the republic division of opinion on unexpected lines. The positions taken by various groups emphasize the continued and accelerating shift to the left in national politics.

"Communism" is still a word which all but a very small group refuse to allow to be applied to themselves. It is a term used by all but one of the parties in Mexico to discredit their rivals. The government and the National Revolutionary Party—practically the only organized political group in the country—continue to assert their social point of view and their general socialistic leanings. They speak of their program for giving lands to the Indians as one resting on a semi-communal basis but insist that it is not a step toward communism. President Cardenas declares that there is no intent to destroy capitalistic society nor any desire to eliminate the foreigner and his capital—indeed there is still work for new foreign money in Mexico and its entry will be encouraged. The organ of the most influential labor group declares its position to be similar. Though supporting moves increasingly radical, it insists that the Mexican program is one to perfect the capitalistic system, not to upset it. The first aim must be a "classless society" but that is an ambition not yet on the horizon.

Trotsky's coming does not fail to bring embarrassment to the major divisions of Mexican radicalism. The C.T.M., now the most militant and largest of the labor organizations, protested strongly against his coming. Its objections at times charged him with being in league with fascist groups. Other announcements de-



Wide World Photo

**Leon Trotsky and his wife are welcomed to Mexico by Frida Rivera and Max Shactman, U. S. Communist Committee head**

clared his entry into the national territory would give support in Mexico and elsewhere to the belief that the republic was turning communist and thus indirectly give support to fascist propaganda.

The government also has not been altogether easy about the coming of the distinguished visitor. If it refused him entrance, charges that it had turned conservative might rise and be embarrassing. To the present it has succeeded in keeping all parties from the Gold Shirts of General Nicolás Rodríguez (now in exile in the United States) to the small communistic party bidding for its support. That policy of balance it

would be glad to continue. The decision arrived at was to allow Trotsky to enter under the protection of the right of asylum, providing he did not engage in propaganda.

The incident sets out the fact that keeping the government in dominant position over all groups of opinion and retaining the loyalty of partisan organizations by no means at peace with each other promises to be increasingly difficult.

The "Revolution" has become an established institution of government. The administration in power and the National Revolutionary Party which is at times the instrument of the government and at others seems to make the government its instrument has moved steadily toward a more radical program since 1910 and particularly since the Calles Presidency of 1924-1928. As it becomes more radical, how far it will go and the degree to which it can be controlled become questions of rising importance to both Mexican domestic business interests and foreigners who own property or have busi-

ness in the republic.

Thus far attempts to slow down the leftward advance have all been failures. The starting point usually chosen from which to judge the trend of events is the Constitution of 1917 drawn in the midst of the more troubled years of the revolution but the real "consolidation" of what had been won dates from the presidencies of Obregon (1920-1924) and Calles (1924-1928). Both of these men were considered highly radical when in power. Calles in the period following his term continued to be the mentor of Mexican politics. The later presidents, from Gil to Cardenas, were "his men."

In the long run, however, came a man no longer willing to accept Calles' guidance, or as others would have it, the ideas of the revolution overtook and passed Calles. Cardenas took control and forced Calles to go to the United States.

But the Revolution may outrun Cardenas also. His problem has already come to be to direct new radical forward moves and to try to control them. The Mexican Revolution is like a spirited horse which must be continually urged forward and ridden hard or it may throw its rider.

The common belief outside Mexico that the government is all powerful, and completely in control of movements in public affairs is a conclusion far too simple. The national administration has to trim its policy to conform to movements some of which it has initiated,

## Some Leading American Companies with a Stake in Mexico

Anaconda Copper.....	Greene Cananea, 99% owned, has developed ore reserve sufficient to maintain production at the rate of 60,000,000 pounds of copper for eight years.
American & Foreign Power.....	Mexico contributed 12% of company's gross revenues in 1935.
American Metal Co.....	Controls smelters, mines and claims in Mexico, representing substantial investment.
American Smelting & Refining.....	A number of Mexican subsidiaries. Mines and smelts various metals, mines coal and manufactures coke, exploits agricultural lands.
Consolidated Oil.....	Is a producer of oil and gas in Mexico. Has considerable undeveloped acreage. Also does some marketing in that country.
Du Pont de Nemours.....	Owns 50% of the Compania Mexicana de Explosivos S. A., whose annual capacity is 6,000,000 pounds of dynamite.
Hercules Powder.....	Owns the other 50% of the Compania Mexicana de Explosivos.
Howe Sound.....	Extensive lead, silver and zinc mining operations in Northern Mexico.
International Telephone & Telegraph.....	About 6½% of total investment is in Mexico.
Seaboard Oil of Delaware.....	Successor to Mexican Seaboard Oil. Holds substantial oil acreage in Mexico.
Southern Pacific.....	A \$54,000,000 investment in Southern Pacific Railroad of Mexico, operated separately.
Standard Oil of California.....	Interest in Mexican production through wholly-owned subsidiary, Richmond Petroleum of Mexico.
Standard Oil (New Jersey).....	Approximate Mexican production in 1935 was 6,800,000 barrels. Large proportion refined at Tampico. Important marketer in Mexico.
U. S. Smelting & Refining.....	Company's Mexican mines are one of the world's most important producers of silver.

but others which it has not sponsored. These it may within measure control but some of them it cannot frankly oppose.

That was the history of the Calles dictatorship. At first the author of what then seemed advanced reforms, Calles was the idol of the revolutionary groups and disliked and distrusted by the propertied classes, Mexican and foreign. But the revolution moved ahead more rapidly than he. He opposed the more radical proposals and was overwhelmed by them. He now finds himself ousted, faced by charges that he is

reactionary, and heading an interventionist movement, with the backing of American capital, which "would like to turn the country into another Cuba." It will be interesting to see whether a similar fate awaits Cardenas.

The Mexican Revolution has supplied many proposals of far-reaching reform. The most advertised of these is the program for breaking up the large estates and distributing land to those who have none. At first adopted to apply to Indian villages dispossessed of their land or lacking land, it has expanded to include plans for grants to all the landless. Starting in 1915, the land problem has been pushed under Obregon, Calles, and their successors. Cardenas has supported and speeded up the movement. In the twenty years from 1915 to 1934, some 793,442 landless villagers received 20,126,450 acres. In the first twenty months of the Cardenas regime 287,570 rural workers were granted 11,070,750 acres. On December 21, 1935, (Please turn to page 530)



Wide World Photo

Tasquillo Bridge, a link in the new highway running between Mexico City and the United States Border.

Stocks Which Made New Highs in '36—and Why

✓ Stocks Which Lost Ground in '36—and Why

Stocks Which Established Earnings Records—

Can They Be Bettered?

## 1936 Records — 1937 Prospects

BY J. C. CLIFFORD

**T**HAT 1936 was a year of widespread economic recovery, as well as one which ended on a highly optimistic note, no one will deny. For at least two dozen major industries, production was at a new high level; a number of others will require only moderate gains this year to be in the same class; and not a few companies in 1936 earned the largest profits in their history. What all this has meant to the investor in terms of increased dividends and appreciation in the value of his holdings is now past history. On the other hand, the course of recovery or depression is never uniform and a considerable number of investors must have had the dismaying experience of holding one or more common stocks which either recorded a net loss in value for the year or which showed only slight gains by contrast with the market as a whole.

### Re-Appraisal Necessary

The investment problem arising from the latter situation is an obvious one. In any representative investment portfolio there are almost certain to be issues which at some time take on a "backward" appearance. Such issues may not necessarily have been deprived of their original merit but surely their failure to reflect more fully the favorable factors which are motivating the market as a whole marks them for careful re-appraisal. It is readily conceivable that a company or an industry may become temporarily subject to adverse influences but from the fact alone that a particular company failed to show improved earnings last year, it cannot be assumed arbitrarily that it will continue to be equally unfortunate in the months ahead. On the other hand, adverse influences may be of a nature which does not lend itself to early dissipation and the investor is well advised to remove such holdings from his list. Nothing will be gained in the end by hoping for the best if the best is no better than an uncertain possibility.

Oddly enough the problem of the investor holding "backward" issues is, at least to some extent, shared by the more fortunate investor (he might even be the same one), who owned shares in companies which last year reported record-breaking earnings or whose shares in the

closing weeks of 1936 sold at their highest levels since 1932 and 1933. Of the sizable number of issues in this latter group, many of them will undoubtedly score further substantial gains this year but there will be some of them which will fail to fulfill the promise of their market action under the impetus of year-end optimism. Likewise, among the companies with earnings at the highest level in their history there will be some to which this represents the upper limit with present facilities, while for others, particularly established companies in the newer industries, record-breaking earnings last year may be no more than a hint of their potentialities. The point is, however, the investor should not permit himself to be lured into a false sense of security solely by advancing quotations and *last year's* earnings. Yet both of these factors may carry very favorable implications if they are supported by *this year's* prospects—implications favorable to present holders and prospective investors as well.

Accompanying this discussion are two lists of companies, both of which are intended to be representative rather than all-inclusive. The shorter list indicates a group of companies whose shares at the end of the year were quoted lower than they were at the beginning of 1936. The other and longer list includes a group of companies whose shares sold at new high levels late in 1936. Of these, a number of companies (indicated by a star) earned the largest profits in their history last year. Interesting in themselves, these tabulations also present the salient factors which should guide the investor in evaluating the prospects for other issues which it has not been possible to include.

### Why Some Lost Ground

Of the group of companies whose shares declined last year, the manufacturers of tin containers, American Can, Continental Can and McKeesport Tin Plate, probably disappointed more holders than any of the others. Profit margins of these companies are being threatened by increasingly aggressive competition promised by the entry of Crown Cork and Owens-Illinois into the manufacture of cans. The can companies last year were also

## Stocks Which Made New Highs in 1936

★ Indicates Year's Earnings Established a Record—Will It Be Beaten in 1937?

Company	Business	Recent Price	Divs. Paid 1936	Earnings per Share		COMMENT
				1935	1936(e)	
Allis-Chalmers.....	Elec. equip., machinery, tractors.....	83	1.50	1.48	2.80	Participation in electrical, heavy machinery and farm equipments indicate upturn in earnings to continue, accompanied by larger divs.
Amer. Car & Foundry.....	Freight and passenger cars and allied equipment.....	63	None	d4.35	0.75(a)	Better railroad outlook and equipment shortage favorable factors. Unfilled orders large.
Amer. Chain & Cable.....	Chain, wire rope and extensive line of industrial equipment.....	77	4.00	4.40	8.00	Industrial business now predominates. Earnings outlook favored by general plant expansion and rehabilitation.
American Locomotive.....	A leading manufacturer of locomotives.....	48	None	d5.12	4.00(b)	New orders should continue to mount. Finances strong. Shares speculatively attractive.
Amer. Steel Foundries.....	Steel freight car frames, trucks, brakes, couplers, etc.....	72	1.00	2.06(b)	2.40	Greatly improved outlook for '37 suggests possible earnings in excess of \$4 a share.
Amer. Tel. & Tel.....	Communications.....	183	9.00	6.74	9.36†	Substantial gain in new installations and savings in interest charges enhance security of \$9 dividend.
*Anaconda W. & Cable.....	All types of copper wire and cable.....	91	4.50	2.44	5.10	Large potential demand for wire and cable and higher prices place shares in an attractive position.
*Beech-Nut Packing.....	Prepared food specialties and chewing gum.....	106	6.00	5.20	6.80	Further upturn in earnings may be less pronounced. Shares provide a sound income medium.
Bethlehem Steel.....	Second largest steel producer.....	80	1.50	4.59(b)	2.00	Recovery in profits should continue in '37.
Boeing Airplane.....	Manufacturer of private and military aircraft.....	36	None	d0.64	0.30	Expanding demand for both commercial and government aircraft should swell '37 profits. Promising speculation.
Caterpillar Tractor.....	Leading maker of diesel engines and tractors.....	96	5.50	3.16	5.23†	Company will benefit by larger farm income and enlarged industrial demand for tractors and diesel engines.
*Commercial Inv. Trust.....	A major financing company.....	75	4.90	6.43	6.00(c)	Prospects good but present factors suggest that earnings gains will be narrowed, by agitation for lower rates to borrowers.
Cutler Hammer.....	Electric motor controls, meters and other equipment items.....	87	2.75	1.83	4.00	Prospective large utility and industrial purchases foreshadow continued earnings upturn in '37.
Deere & Co.....	A leading maker of farm implements.....	123	None	3.91	8.00	Liquidation of small amount of preferred arrears would pave way for common divs. Outlook excellent.
du Pont.....	Foremost mfgs. of chemicals and chemical products.....	174	6.10	5.02	7.50	Company's own activities may contribute more to '37 profits than General Motors investment. Shares liberally appraised.
Elec. Pwr. & Lgt.....	Public utility holding company.....	24	None	d1.40	0.70	Large investment in United Gas may augment '37 income. Shares have speculative promise.
*Fairbanks Morse.....	Diesel engines, scales, electric motors, railroad supplies, etc.....	69	1.25	2.47	4.50	Company should be favored by expanding demand for diesels. Extension of recent earnings gains likely.
General Electric.....	Leading maker of electrical equipment.....	64	1.70	0.97	1.60	Resumption of utility construction this year would produce dynamic upturn in earnings.
Harbison-Walker.....	A major producer of refractory materials.....	55	2.25	1.18	2.30	Maintenance of high level of steel output should enhance demand for company's products. Higher earnings probable.
*Hercules Powder.....	Important factor in naval stores, chemicals and explosives.....	180	5.25	4.23	6.00	Activities profitably expanded in new fields, promising important contributions to '37 earnings.
*Int'l Bus. Mach.....	Business machines and industrial equipment.....	187	7.50	9.95	10.00(c)	Company in a position to benefit by demand for Social Security tabulating equipment. Further moderate upturn in earnings likely.
*International Nickel.....	Foremost producer of nickel.....	64	1.30	1.65	3.25	Nickel consumption at new high and further gains forecast for '37. Higher copper prices also favorable factor. Sound investment issue.
Johns-Manville.....	Asbestos products and building materials.....	148	4.25	2.19	4.50	Large volume of carry-over business and increased building activity foreshadow further important gains in '37 profits.
Link Belt.....	Conveying machinery.....	59	2.50	1.28	2.70	Continued plant expansion and modernization will make further contributions to '37 earnings. Larger divs. likely.
Loew's.....	Leading producer of motion pictures.....	75	3.50	4.42	6.73†	Outstanding success of company unlikely to be reversed. Rising attendance presages further earnings gains.
*Minn.-Honeywell.....	Leading maker of heat-regulating and temperature-control devices.....	108	3.00(c)	2.67	3.50	Industrial and private construction demand foreshadows higher earnings in '37.
*Montgomery-Ward.....	Second largest mail order unit.....	58	0.60	2.65	4.00	Current earnings prospect favored by enlarged farm purchasing power. Profit margins may be narrower, however. Paid \$3.40 div. in January '37.
National Acme.....	Important maker of machine tools.....	22	0.75	0.51	1.20	Machine tools promise to extend the substantial sales gain recorded last year. Shares have speculative merit.
National Lead.....	Large fabricator of lead, zinc, etc., also leading paint mfr.....	36	1.00	1.08	1.50	Further earnings recovery would be aided by increased building.
*National Supply.....	Oil well equipment.....	66	None	4.03(b)	7.50	Prospects favorable but earnings gains this year likely to be less spectacular. Preferred arrears may be discharged.
Phelps-Dodge.....	Copper producer.....	56	1.25	1.21	2.00	Trend of '37 earnings will be governed by ability of copper prices to hold recent gains.
*Phillips Petroleum.....	Well rounded oil unit.....	51	2.50	3.23	4.00	Company has substantially reinforced its position industrially and financially. Shares reasonably priced.
*Sears Roebuck.....	Leading mail order and retail unit.....	86	6.25(h)	4.45(h)	6.50(h)	Recent sales highest in company's history. Prospects favorable but profit margins may be pared moderately.
Standard Oil N. J.....	Foremost unit engaged in every phase of oil industry.....	69	2.00	2.43	4.00	Further increases in consumption likely but crude and gasoline price stability will govern company's earnings.
*Union Carbide.....	Large producer of a diversified group of chemicals.....	105	2.30	3.03	4.10	Record earnings reflect successful development of new products. Upturn should be further extended in '37.
*United Carbon.....	Large producer of carbon black and natural gas.....	86	4.05	4.70	5.70	Strong statistical position of carbon black augurs well for current prospects. Increasing demand for natural gas also favorable factor.
U. S. Gypsum.....	Broad output of building materials.....	122	3.25	2.47	4.50	Potential demand for company's products remains large and should be increasingly effective in '37.
U. S. Rubber.....	Tires and mechanical rubber goods.....	54	None	d2.03	NF	Important internal adjustments and rising sales and prices should enable company to extend recent recovery trend.

(a)—Fiscal year ended Apr. 30, '37. (b)—Preferred shares. (c)—On increased number of shares. (d)—Deficit. (e)—Estimated. (h)—Fiscal year ended Jan. 31, '36-'37. †—Actual earnings. NF—No late figures.

compelled to make refunds to customers in conformance with the provisions of the Robinson-Patman Act and for the same reasons 1937 contracts will mean slightly lower prices. Demand for cans should be sustained at a high level but doubt as to profit margins may continue to retard this group. In brief, it is unlikely that can company earnings will experience any serious slump but they are lacking in the more dynamic possibilities to be discerned in other industries.

In fact the latter consideration—the likelihood of static rather than dynamic earnings possibilities—appears to account for the disappointing market action of most of the issues which sold lower during 1936. This is not surprising in view of the fact that the majority of the companies in this group are identified with industries in the consumer goods classification. If the list had been extended to include the cigarette companies, manufacturers of packaged foods, dairy products, shoes and their like, it would have been noted that most of these companies were characterized by stable dividends and earnings. Also it would have been noted that the gains marketwise scored by this group during 1936 were for the most part of modest proportions. Selected issues among these companies may be commended to the investor who must place emphasis on income, but from the standpoint of potential price appreciation they offer comparatively little inducement at this point in the recovery cycle.

For some of the companies whose shares displayed an adverse trend last year, there is the promise of material

improvement in current earnings, results last year having reflected the presence of temporary handicaps such as unusual development costs, etc. Included among these are such companies as Congoleum-Nairn, Reynolds Metals and Freeport Sulphur. On the other hand uncertainty as to prices for alcohol and silver obscure the current prospects for U. S. Industrial Alcohol and U. S. Smelting, respectively.

Although it has been possible to comment only briefly on the foregoing companies, enough has been said to convey the point that when stocks either decline or fail to gain perceptibly in a bull market there is usually some very definite and logical reason. It is important that the investor discover these reasons and act in accordance with his best judgment.

Contrasting noticeably with the shorter list, in the group of companies whose shares reached a new high for the recovery period in the closing weeks of last year, organizations identified with heavy, or so-called capital goods, industries predominate. These industries include steel, building, equipments of all kinds, copper mining and fabricating and their like, nearly all of which were conspicuous laggards in the earlier stages of recovery. But at this point the heavier industries have the most to gain, and unless there is a prolonged interruption in the present tempo of recovery, representative companies in this group must be credited with dynamic earnings possibilities.

Selecting various issues at random from this group it is at once apparent that (Please turn to page 531)

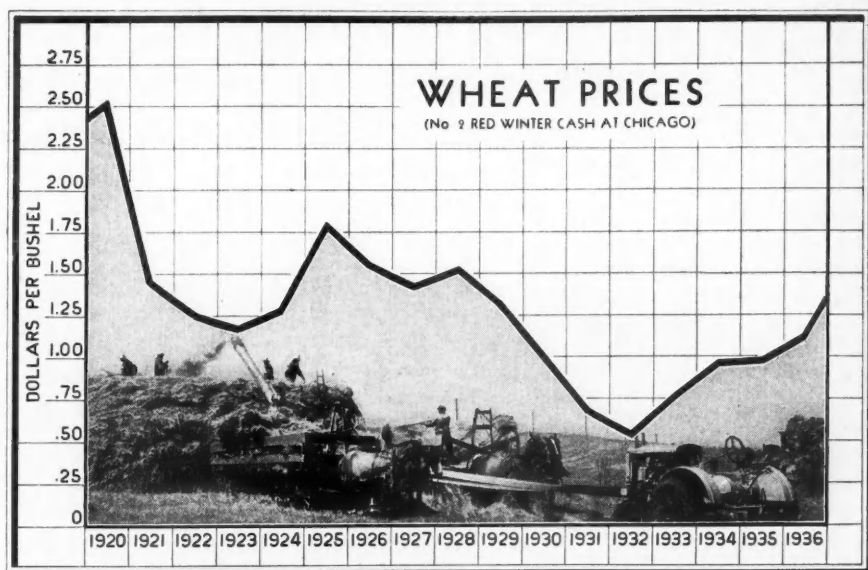
## Stocks Which Lost Ground Last Year—and Why

Company	Business	Recent Price	Divs. Paid 1936	Earnings per Share		COMMENT
				1935	1936(c)	
American Can.....	Leading maker of tin containers.	114	6.00	5.83	6.00	Refunds cut '36 profits. Low prices on '37 contracts may not be fully offset by expanding demand. Increased competition threatens.
Bohn Aluminum.....	Aluminum and brass castings.	44	3.75	4.51	3.50	Drop in '36 earnings due to a partial loss of Ford business in aluminum pistons. Prospects uncertain.
Commercial Solvents.....	Chemicals, whiskey and commercial alcohol.	20	0.80	1.02	1.05	Earnings retarded by unfavorable price structure for alcohol. Current prospects moderately better.
Columbia Pictures.....	Motion picture producer.	38	1.00(b)	5.81(a)	4.96(a)	Recovery of earnings contingent on success of current feature releases. Shares speculative.
Congoleum Nairn.....	Floor coverings.	40	1.85	1.82	2.00	Higher prices and lower development costs foreshadow increasingly larger profits this year.
Continental Can.....	Second largest maker of tin containers.	66	3.25	4.21	3.80	See comment on American Can.
Freeport Sulphur.....	Second largest producer of sulphur.	30	1.00	1.78	2.25	Larger production costs may not prove burdensome. Further earnings recovery likely.
General Mills.....	Flour and other foodstuffs.	65	3.00	4.12(c)	3.40(c)	Earnings likely to continue steady rather than dynamic. Shares primarily suited for income.
Hazel Atlas Glass.....	Glass containers.	102	7.64	6.32	7.00	Market action of shares reflects comparatively static earnings. Dividends reasonably secure.
Hershey Chocolate.....	Chocolate bars.	67	3.60	5.39	3.50	Earnings decline due to stiffer competition. Company well supplied with low-cost inventories and may do better in '37.
McKeesport Tin Plate.....	Tin plate and tin containers.	88	5.50	7.12	6.00	Increasing competition and narrower profit margins make for uncertainty in '37 prospect.
Reynolds Metals.....	Metal foil and building materials.	29	2.00(h)	1.29	1.90	Company has considerable potential earning power but development costs have been heavy. Prospects favor rising net in '37.
U. S. Industrial Alcohol.....	Largest producer of denatured alcohol.	39	1.25(1)	2.16	0.25	Mild weather has restricted demand for anti-freeze. Prices recently advanced moderately but outlook uncertain.
U. S. Smelting.....	Large producer of silver, lead and zinc.	88	10.00	10.31	8.00	Earnings decline due to lower silver prices and labor difficulties. Dividends may be less this year.
Wm. Wrigley, Jr.....	Chewing gum.	74	4.00	3.94	4.20	Sales have recently improved but prospect of any substantial gain in earnings not apparent.

(a)—52 weeks ended June 27. (b)—Plus stock. (c)—Year ended May 31. (e)—Estimated. (h)—\$1.00 paid in 3½% debentures. (1)—Dividends omitted 10/1/36.

# The Farmer Bets on Wheat

BY C. S. BURTON



WE are trying to grow a bumper crop of winter wheat, taking such risk as may result in a possibly increased carry-over.

It is quite apparent that our farmers do not relish the idea of the United States posing as one of the substantial importers of wheat, ranking, for example, with the United Kingdom, Belgium and Brazil, then ourselves in the order named.

Without discussing the division of responsibility for this condition as between Dame Nature and our governmental restrictive policies, the idea of our own country transferring itself from the role of an important exporter to that of a buyer in the world markets does not seem fitting.

Action and reaction seem to find expression in farm preparation for a bumper crop to be harvested this coming summer. Farmers looking at empty granaries at home and the recent price of \$1.37¾ for May Wheat in Chicago, the highest price since the crop year of 1927-28, are evidently determined that in 1937 they are going to have some wheat to sell. And indications are that they are going to have a strong market in which to sell it.

The acreage sown to winter wheat last fall exceeds last year's plantings by 15 per cent running to a total of 57,187,000 acres, which is quite a wheat field and a record for all time. In 1918, we planted 51,391,000 acres and harvested 748,460,000 bushels. On a like basis, the 1937 winter wheat crop will be something more than 800 million bushels. With spring wheat added, a possible 900 million bushels or more.

It does seem that the present situation trailing along after a period of surplus, which surplus would be most acceptable, if now available, after years of restriction and drouth and consequently diminished carry-overs; might renew the farmers' faith in the old-fashioned idea of stack yards. Stack yards where two or three crops might accumulate and the agitator move in at two or three year intervals, accordingly.

To look abroad, the disappearance of the world carry-over since 1926, leaves the current supply in smaller volume than at any time in the last decade. There has been a tremendous foreign demand for wheat, undoubtedly due in no small part by the low hanging war clouds, and in part to decreased production.

The Danubian stocks have been absorbed and Canadian stocks drawn upon heavily. The Argentine crop is estimated at 250 million bushels, which means scarcely more than 100 million bushels for Europe. The British food defense department, recently appointed, is reported to be seriously considering building up a wheat store. Italy has been a heavy buyer requiring some 70 million bushels before the next harvest. Germany needs much more grain than she can provide the necessary foreign exchange to make payment therefor.

It is tight situations such as the current one in wheat that, in the present tense world atmosphere, gives added impetus to attempted self-sufficiency—economic nationalism.

Such are a few of the conditions that make the American farmer view the outlook for wheat with some eagerness and some complacency (*Please turn to page 522*)

# Dividend Forecast for 1937

## PART I — Railroads and Railroad Equipments, Agricultural, Business and Electrical Equipments, Machinery, Public Utilities.

**T**HE year 1936 was one of marked business recovery and there is every indication of a continuance of this trend in the current year.

Growing confidence, the huge replacement demand and the anticipation of a rising price scale are all indicative of more activity in most lines and a general favorable profit trend which will find expression in dividend payments.

Last year witnessed a large number of dividend resump-tions, increases and, of course, a veritable flood of extras occasioned by the workings of the new tax on undistributed corporate profits. The result was a record volume of pay-ments not heretofore approached since the boom days. The current year will doubtless see even the 1936 total surpassed. While the undistributed profits tax may be subject to some modification in the present session of Congress, there is no chance of its being repealed, and corporations with larger profits flowing in will be forced

Two fundamental factors, the industry and the company itself, are used to form our ratings. The letters, A, B, C, D, are used in connection with the industry according to the current and prospective activity in the field. These letters are not concerned in any way with individual companies. The numbers 1, 2, 3, 4, are used for rating the company on its earning power, current and prospective.

INDUSTRY	
A—Active; further progress indicated.	
B—Active; further progress may be slow.	
C—Depressed; prospect for recovery favorable.	
D—Depressed; no nearby improvement indicated.	

COMPANY	
1—Good earning power; substantial gains indicated.	
2—Improvement in earnings expected.	
3—Gain in earning power may be slow.	
4—Earnings outlook unfavorable.	

to continue or increase the liberality of disbursement.

As is always the case not all industries, nor certainly all companies, will fare alike in the months to come. Some corporations have already reached capacity with respect to present facilities; others which were late in recovery have great improvement before them.

It is to serve the individual and the specific need of the investor that this Dividend Forecast is prepared. Part II will appear in our issue of February 13 covering motors and accessories, steels, movies,

liquors, meat packers, tobacco, chemicals, tires, packaged foods, sugar. Part III in the February 27 issue will deal with oils, metals, aviation, building, merchandising and many miscellaneous companies.

The tables and comments comprising this feature are accompanied by our investment ratings which are explained in the table herewith.

## Rail Prospects More Hopeful

**N**OTWITHSTANDING the refusal of the I. C. C. late last year to grant a further extension in surcharges on certain classes of freight, the railroad prospect for 1937 is distinctly more hopeful than it was a year ago. By no means can it be implied that the railroad industry is "out of the woods," but at least some of the dire predictions which were being made freely not so many months ago now appear to have been rather far-fetched. On the other hand, the contention that the railroads would require only a reasonable increase in traffic to appreciably mitigate their difficulties appears to have been a hundred per cent right.

Last year Class 1 roads, according to preliminary reports, recorded a gain of 17 per cent in gross revenues,

the aggregate total of \$4,000,000,000 being the largest since 1930. Expenses and taxes, particularly the latter, increased but a high measure of operating skill is reflected in the gain of about 30 per cent in net operating income. Net income, after interest charges, totaled about \$150,000,000, as compared with \$7,539,127 in 1935 and a loss of nearly \$17,000,000 in 1934.

Although the sum total of general business recovery last year is reflected in the larger volume of freight carried by the railroads, the marked revival of the heavy industries was undoubtedly the most potent factor contributing to increased railway revenues. From present indications these heavy industries promise to contribute even more decisively this year. In the case of those

roads which were large beneficiaries of freight surcharges, the gain in both gross and net, at least in the earlier months of 1937, will be less pronounced, but there is a good chance that the lower rates now in effect may be offset to a large extent by increased traffic. Also there is the possibility that the I. C. C. may later grant some specific rate increases. It is also possible that lower rates may enable the carriers to regain some portion of the traffic which has been lost to competing mediums.

The railroad legislative prospect remains highly un-

certain. The passage of various bills, scheduled for introduction in Congress, designed to shorten the hours and increase the wages of railroad employees would prove a serious burden to carriers in their present position. Recent conferences between representatives of some 300,000 railroad employees have disclosed that they may seek a 20 per cent wage increase. This would add \$75,000,000 to the annual payrolls of 20 largest carriers and the possible effect upon earnings may be gathered from the fact that the increase amounts to nearly half of their aggregate net income (Please turn to page 528)

## Position of Railroad Common Stocks

RAILROAD	Earned per Share		Price Range		Recent Price	Divs. Paid 1936	Market Rating	COMMENTS
	1935	1936(e)	1936 High	Low				
*Atchison.....	1.38	2.00	88½	59	75	2.00	C-1	Transcontinental rate increase will offset 35% of surcharge losses. Further payments on common likely.
Atlantic Coast Line.....	Nil	2.40	49	21½	46	1.00	C-2	Large citrus crop favorable factor. Should pay more this year.
Baltimore & Ohio.....	Nil	0.25	26½	15½	22	none	C-2	Earnings outlook somewhat uncertain in absence of surcharges. Divs. not an early prospect.
Bangor & Aroostook.....	4.44	2.60	49½	39	42	2.50	C-3	Earnings outlook somewhat better. Divs. secure.
Canadian Pacific.....	d0.20	0.01	16	10½	16	none	C-2	Prospects more promising but little likelihood of early dividend resumption.
Central R. R. of N. J.....	Nil	Nil	57	35	40	none	C-3	Revenues moderately higher in '36. Tax litigation may ultimately favor road.
*Chesapeake & Ohio.....	4.05	5.50	77¾	51	67	3.80	C-1	Prospect of sustained good earnings promises to support generous dividend policy.
Chicago Gt. Western.....	Nil	d	2½	1¼	3	none	C-4	Reorganization filed but opposition has arisen. Probably covered charges in '36.
Chicago, Milwaukee, St. Paul & Pacific.....	Nil	Nil	2½	1½	2	none	C-4	Net income in '36 probably equal to about 50% of fixed charges.
Chicago & Northwestern.....	Nil	Nil	4½	2½	4	none	C-3	Gross gained about \$15,000,000 in '36. Modified plan of reorganization may be drafted.
Chicago, Rock Island & Pacific.....	Nil	Nil	3	1½	2	none	C-4	Revenues in '36 increased more than \$10,000,000. Reorganization apparently not imminent.
Colorado & Southern.....	Nil	Nil	36¼	19	24	none	C-2	Further reduction in fixed charges and improved industrial outlook in territory augurs well for '37 results.
Delaware & Hudson Co. (a).....	1.73	1.70	54¾	36¾	28	none	C-3	Would benefit substantially by any further recovery in value of N. Y. Central shares. Might pay a small dividend.
Delaware, Lackawanna & Western.....	Nil	Nil	23½	14½	19	none	C-3	Continued mild weather has restricted recovery in gross. Finances fair.
Erie.....	Nil	d	18¼	11	15	none	C-2	'36 earnings were probably sufficient to cover dividend requirements on preferred issues.
*Great Northern (Pfd.).....	2.87	4.50	46¾	32¼	43	none	C-2	Marked progress being made in reducing fixed charges. Likely to resume divs. this year.
Illinois Central.....	Nil	d	29½	18½	24	none	C-2	Gross increased 18% in '36. Final results may show fixed charges earned in full.
Kansas City Southern.....	Nil	d	26	13	22	none	C-2	Total revenues increased more than 33% last year. Larger wheat crop promises to aid current results.
Lehigh Valley.....	Nil	1.00	22	8½	19	none	C-3	Road being favorably affected by high rate of steel activity. Dividends not imminent.
*Louisville & Nashville.....	3.53	8.00	102¾	57½	94	6.00	C-1	Strong financial position and good outlook presage maintenance of liberal dividends.
Missouri-Kansas-Texas.....	Nil	d	9½	5½	7	none	C-2	Indications are that road earned fixed charges in full last year. May resume adj. bond interest.
Missouri Pacific.....	Nil	Nil	4	2½	3	none	C-3	Estimated to have earned about 50% of fixed charges. Reorganization delayed.
*New York Central.....	0.02	1.50	49½	27¾	43	none	C-2	Finances strengthened and prospects favor sustained earnings gain.
*New York, Chicago & St. Louis.....	d3.10	15.46(b)	53½	17¾	59	none	C-2	Marked gain in earnings and stronger finances suggest possible action toward elimination of preferred arrears.
New York, New Haven & Hartford.....	Nil	Nil	6½	3	6	none	C-4	'36 deficit estimated about the same as '35. Outlook moderately better.
New York, Ontario & Western.....	0.01	Nil	7½	4	6	none	C-4	Restricted finances and uncertain prospects for anthracite demand obscure road's outlook.
Norfolk & Western.....	17.50	23.00	310½	210	264	15.00	C-1	Outstanding record of road entitles shares to investment rating. Further dividend increases probable.
Northern Pacific.....	0.17	0.35	36¼	23½	28	none	C-2	"Other income" prevented road from showing a loss after charges. Dividends not an early prospect.
Pennsylvania.....	1.81	2.75	45	28¼	42	2.00	C-1	Further industrial recovery would reflect in earnings. Higher dividend likely this year.
Pere Marquette.....	1.00	3.50	46½	25½	39	none	C-2	Prolonged auto strike would adversely affect road's earnings. May eliminate all arrears on prior preference.
Reading.....	2.08	2.60	50¾	35½	46	2.00	C-2	Loadings in '36 best since '31. Present rate of dividends apparently secure.
*Southern Pacific.....	0.62	3.20	47½	23½	31	none	C-2	Good possibility that road may resume dividends during 1937.
*Southern Railway.....	Nil	1.00	26½	12¾	49	none	C-2	Finances improved and further debt liquidation likely. Prospects good but dividends not an early possibility.
Union Pacific.....	6.54	7.60	149¾	108½	130	6.00	C-1	Net income up nearly 25% in '36. Prospects favorable and dividends secure.
Western Maryland.....	d	0.10	12½	8½	9	none	C-2	Net in first 11 months '36 equal to \$8.15 a share on 1st pfd. vs. \$4.61 in same period 1935. May make further payments on senior shares.

(a)—Company only. (b)—Preliminary report includes equivalent of \$11.95 a share received as dividend on Wheeling & Lake Erie prior lien stock. (d)—Deficit. (e)—Estimated. \*—In our opinion the more attractive profit opportunities.

# Politics Still Uppermost in Utility Prospect

## Higher Output and Refunding Operations to Help Earnings

IT is not easy to strike a balance between the factors which indicate one outlook for the electric public utilities and those, seemingly equally potent, which indicate almost the opposite. On the one hand, there is some possibility of continued political persecution: on the other there is a flowing economic tide making for higher output and larger earnings—earnings, so far as the common stockholder is concerned, which should be further upped by the refunding of debt with a saving in interest charges.

On the adverse political side, it was thought that matters recently took a turn for the worse. President Roosevelt failed to reconvene the group representing Government and utilities which met some months ago and appointed instead five Federal officials to formulate a power policy. This followed immediately after a statement by Dr. A. E. Morgan, chairman of the Tennessee Valley Authority, the Government's most publicized activity in the power field. Dr. Morgan's statement was remarkable for its reasonableness, coming as it did from one who believes sincerely in ultimate public ownership of utilities.

What has actually happened, however, is that the power fight within the New Deal, smoldering for months, has now broken out in public. Radicals are using pressure to keep Roosevelt from swinging to the right, fearing the influence of the moderates. It would seem that the utilities have nothing to lose from the intra-administration power schism. The worst they can receive is more of their present treatment, while any moderation of the current policy is that much gain. Morgan of the Tennessee Valley Authority, McNinch of the Federal Power Commission and Cooke of the Rural Electrification Administration form the "right wing" of the President's power advisers. Although they are not exactly conservatives, the utilities trust them and think that they will play fairly. These men stand for cooperation between private and public power projects. The group

of which Senator Norris, Secretary Ickes and Director Lilienthal of TVA are members will brook no compromise. Because both sides are adamant, power policy is likely to be a live issue for months, perhaps years.

Admitting that there is a dark side to the political aspect of the public utility outlook, one cannot fail to notice that the picture also has its bright side—a side which is more definitely bright than the political side is definitely dark. Output of electric power last year was between thirteen and fourteen per cent above that of 1935 and more than sixteen per cent above the 1929 peak. While revenues failed to gain by like percentages, nevertheless, substantial progress was made. Even net income was higher last year than in 1935 despite the inroads made by higher taxes and increased operating expenses and this modestly better net made, in a number of instances, quite an impressive showing when carried down to high leverage common stocks.

So far this year, electric power output has continued to mount and no interruption in the trend is to be discerned. Not only will more electricity be consumed in meeting the demands of increasing business activity, but the industry is still in the stage of dynamic growth. The further electrification of manufacturing establishments proceeds apace: lines are being extended to include a greater number of consumers: finally, the individual consumer will continue to require more electricity.

That the demand for electric power has about reached the point where it is taxing the facilities of the companies to supply it and that the demand continues to point upward, is seen from the greatly increased budgets for construction. Although available figures are not complete, a fair representation of leading companies have announced tentative plans from which it is indicated that the utilities will spend this year on expansion something in the neighborhood of 400 million dollars. The political persecution unques- (Please turn to page 532)

## Position of Leading Public Utility Stocks

Company	Earned per Share		Price Range		Recent Price	Divs. Paid 1936	Market Rating	COMMENT
	1935	1936(c)	High	Low				
American & Foreign Power.....	Nil	Nil	9¾	6½	13	....	A-3	Large accumulations on the preferred stocks to be liquidated before the common can receive anything.
American Gas & Electric.....	1.87	2.30	47¾	33¾	46	1.40	A-2	Sound, integrated holding company. May pay more in view of earning power.
American Light & Traction.....	1.34	1.75	25¼	17¾	25	1.30	A-2	Declares special dividend of 25 cents payable 2.1.37. Holds substantial minority interest in International Paper & Power, a recent market feature.
* American Power & Light.....	Nil	0.30	14¾	7½	15	....	A-2	Although there are still arrears to be liquidated, the preferreds are now receiving dividends at full rate.
American Tel. & Tel.....	7.11	9.70	190¾	149½	183	9.00	A-2	Regular dividend fully covered in 1936 for the first time since 1931.
American Water Works & Electric.....	1.32	1.75	27¾	19½	28	0.40	A-2	Two quarterly dividends of 20 cents paid last year. Regular payments at possibly an increased rate expected in 1937.

## Position of Leading Public Utility Stocks (Continued)

Company	Earned per Share		Price Range 1936		Recent Price	Divs. Paid 1936	Market Rating	COMMENT
	1935	1936E	High	Low				
Associated Gas & Electric "A".....	.....	.....	4½	1	4	.....	A-3	Litigation which has been harassing the company for nearly three years ended in its favor.
Brooklyn-Manhattan Transit.....	5.72a	5.59a	58¼	40¼	50	3.25	B-3	Last quarterly dividend was \$1 a share.
Brooklyn Union Gas.....	3.64	3.20	57	44½	50	3.00	A-3	Despite greater gas send-out, profits have been adversely affected by rate reductions, higher taxes, increased costs.
Cities Service.....	Nil	Nil	7½	3	5	.....	A-3	Involved capitalization. Large arrears on preferred.
*Columbia Gas & Electric.....	0.43	0.60	23½	14	18	0.40	A-2	Dividends reinstated in May, last year; their continuance appears likely.
Commonwealth Edison.....	6.39	6.60	119	97	132	5.00	A-2	Special meeting called January 23 for widespread reorganization of capitalization.
Commonwealth & Southern.....	0.01	0.12	5½	2¼	4	.....	A-3	Federal operations in the Tennessee Valley obscure outlook.
Consolidated Edison of N. Y.....	2.00	2.40	48½	27¼	50	1.75	A-2	Elimination of subsidiaries will effect savings.
Con. Gas El. Lt. & Power of Baltimore...	4.41	4.60	94½	84	88	3.60	A-2	Company has an enviable record. Refunding operations effect savings.
Detroit Edison.....	7.60	8.39A	153	128	144	6.00	A-2	Earnings and dividends should continue to follow manufacturing activities in the Detroit region.
Electric Bond & Share.....	0.16	0.20	27	15¾	26	.....	A-2	Liquidating value probably more than \$40 a share. Vitality affected by final outcome of Public Utility Act.
*Electric Power & Light.....	Nil	0.70	25½	6¾	23	.....	A-2	Likely to reinstate dividends on the preferred this year.
Federal Light & Traction.....	2.24	2.80	27¾	8¾	28	.....	A-2	Cities Service controls. A likely dividend candidate.
General Gas & Electric "A".....	def	.....	4¾	¾	3	.....	A-3	Dividend declared on the new \$5 prior preferred, issued in exchange for the old preferred.
International Hydro-Electric "A".....	0.76	0.01	10½	2¾	13	.....	A-3	Earnings shown are on a consolidated basis. Parent company's cash income is currently very small.
International Tel. & Tel.....	0.90	0.50	19¼	11½	13	.....	A-2	Estimate for last year is with important Spanish operations completely excluded.
Laclede Gas Light.....	Nil	Nil	33¾	20½	26	.....	A-3	Outlook beclouded by politics and litigation. Arrears on the preferred.
Louisville Gas & Electric "A".....	1.64	2.20	30¼	20	26	1.50	A-2	Does better. Profit favorably affected by large refunding operations.
National Power & Light.....	0.85	1.00	14¾	9½	13	0.60	A-2	Continuance of the improvement might well bring a larger dividend.
New York Steam.....	0.41	0.60	21	14¾	20	.....	A-3	Warm winter likely to have adverse effect upon the company's sales volume.
*Niagara Hudson Power.....	0.50	0.70	17¾	7¾	17	0.40	A-2	Dividends resumed last December. Capital structure in process of revamping which, in itself, will result in substantial savings.
*North American.....	1.35	1.70	35½	23½	32	1.50	A-2	Does better. Extra dividend of 25 cents paid in December.
Pacific Gas & Electric.....	2.10	2.75	41	30¾	37	1.50	A-2	Last quarterly dividend was 50 cents compared with 37½ cents previously. Refunding operations have effected great savings.
Pacific Lighting.....	4.35	4.10	58¾	44¾	51	2.70	A-2	Rate reductions and non-recurring expenses lower earnings moderately below record levels.
Peoples Gas Light & Coke.....	1.52	2.00	58	38	54	.....	A-2	Important rate cases pending.
Public Service Corp. of N. J.....	2.53	2.68A	50½	39	52	2.60	A-2	Year-end extra of 20 cents declared.
Southern California Edison.....	1.65	2.50	32½	25	31	1.50	A-2	Recently declared special dividend of 12½ cents in addition to regular of 37½ cents, both payable February 15.
Standard Gas & Electric.....	Nil	Nil	9¾	5½	13	.....	A-3	In process of reorganization under Section 77B of the Bankruptcy Act.
*Stone & Webster.....	0.04	0.40	30½	14¾	31	0.25	A-2	Dividend paid in December, the first since May, 1932. Outlook particularly bright for construction division.
United Corp.....	0.11	0.19A	9¼	5¾	7	0.20	A-2	Pays out slightly more than was earned last year.
United Gas.....	Nil	0.30	10¾	4	13	.....	A-2	Stages rapid recovery, but large dividend accumulation on the first and second preferreds.
United Gas Improvement.....	1.09	1.10	19½	14½	16	1.00	A-2	Neither earnings nor dividends likely to fluctuate very much over the near future.
United Light & Power "A".....	Nil	0.35	8¾	3¾	10	.....	A-2	Doing better. Dividends accumulated on the preferred are substantial.
Utilities Power & Light.....	def	def	7	3½	4	.....	A-3	Legal position continues obscure.
Western Union.....	5.03	6.50	96½	72½	82	2.00	A-3	Quarterly dividend of 75 cents paid January 15. Vulnerable to higher labor costs and Social Security taxes.

E—Estimated. A—Actual earnings. a—Year to June 30. \*—In our opinion, the more attractive profit opportunities.

## Record-Breaking Period Ahead for Equipments

LOOKING over the accompanying tables it will be seen from the figures available that there is not a single member of the various equipment groups that failed to establish a gain in earning power last year. The degree of advance, of course, varied. Those companies that had already turned the corner in 1934 and 1935 made less impressive gains than those with which "red" figures lasted longer. Similarly, one might reasonably expect, now that fundamental conditions are favorable, that the laggard railroad equipments will make a more impressive showing during the current year than their contemporaries in other groups where the earning power already is substantial.

J. M. Symes, vice-president in charge of operations and maintenance of the American Association of Railroads, recently testified before the I. C. C. to the effect that reserves of railroad equipment were practically exhausted and that it would take only a modest increase in freight traffic to necessitate large purchases of equipment. He estimated that a further increase of 5 per cent in freight would make the railroads short 60,000 cars and 800 locomotives. The Shippers' Regional Advisory Boards estimate that carloadings in the first three months of this year will be more than 9 per cent above the corresponding period of 1935. Although orders for freight cars last years aggregated some 50,000 units, these will not be nearly enough if the prospective increase in freight traffic even approaches fulfillment. Moreover, apart from the clearly indicated demand for new freight cars, the railroad equipment companies will be beneficiaries of a large rebuilding program. There are still several hundred thousand old arch-bar truck cars to be converted to modern design and there are possibly a million-and-a-half cars with the old-type airbrakes and which are to be given the new AB type. All-in-all makers of railroad equipment of whatever kind can see a great deal of business in the offing.

The makers of machinery and electrical equipment did much better last year because of the electrification and modernization of industrial plants throughout the country and because of the sustained demand for household apparatus. The rehabilitation of industry must be

considered as no more than just underway at present while the public utilities have not been heard from in volume but, with the output of electricity at record highs, it would seem that they must shortly expand plant and transmission facilities, regardless of the political question.

Foreign demand, always something of a factor in machinery, electrical, business and farm equipment, promises to become increasingly important during the course of the present year. It might be expected, of course, with business conditions throughout the world much improved and because of the more-or-less stable state of the important exchanges, that there would be an increase in our exports of machinery. On top of what might be termed a normal increase, however, there are clear signs of additional business being imposed. Many European manufacturing establishments are working at capacity, trying to fill the demand which springs either from very active peacetime business or the armament race which almost every country has entered. Prospective purchasers of machinery, finding that they cannot obtain prompt deliveries, or in some cases that no delivery date will be set at all, are turning more and more to this country.

While it was always likely that the makers of business equipment would experience an increased demand for their products as trade and industry improved, their prospects have been notably bettered by the countless laws that have further complicated the keeping of business records. The Government itself is directly interested in much new business equipment. Its activities have greatly increased on every front: the administration of the Social Security law alone will require a great deal of recording machinery.

The outlook for the agricultural equipments companies rests directly on the farmers' purchasing power. This continues much improved. With debt scaled down, high prices for farm products, government bounties and their guaranteed continuance, it seems certain that the farmer will continue to make up as rapidly as possible the ground his equipment lost through neglect during the years of depression.

### Position of Leading Equipment Stocks

#### Business

COMPANY	Earned per Share		Price Range		Recent Price	Divs. Paid 1936	Market Rating	COMMENTS
	1935	1936(F)	High	Low				
Addressograph-Multigraph	1.11	1.70	37¼	22½	35	0.95	A-1	Earnings and prospects would seem to justify a larger distribution to stockholders.
Burroughs Adding Machine	1.02	1.50	34½	25	35	1.20	A-1	Paid special dividend of 60 cents at the year-end. Outlook favorable.
International Business Machines	9.88	10.03	194	160	187	7.50	A-1	Social Security recording widens field. Company faces bright prospects.
National Cash Register	0.93	1.70	32½	21½	35	1.00	A-1	Large increase in sales reported for last year: trend should continue.
Remington Rand	1.24c		25	17½	25	0.30*	A-2	Strikes and extraordinary expenses incurred in transferring operations cut last year's net.
Underwood-Elliott-Fisher	4.36	4.50	102½	74½	93	2.87½	A-1	Last quarterly dividend was 75 cents a share: increase expected.

## Position of Leading Equipment Stocks—(Continued)

### Railroad

COMPANY	Earned per Share		Price Range		Recent Price	Divs. Paid 1936	Market Rating	COMMENTS
	1935	1936(E)	High	Low				
* American Brake Shoe & Foundry.....	1.70	3.00	70¼	40	70	2.60	A-1	Doing well, but automobile strike may affect motor brake-lining division.
* American Car & Foundry.....	def b	.75	60½	30	64	....	A-2	Outlook good; should pay something on non-cumulative preferred shortly.
* American Locomotive.....	def	....	48¾	23½	47	....	A-2	Last year should show first profit since 1930.
* American Steel Foundries.....	Nil	2.40	64	20½	72	1.00	A-1	Railroad equipment buying foreshadows larger dividends.
Baldwin Locomotive.....	def	def	11¼	2½	10	....	A-2	Legally tangled, but business phenomenally improved.
Bill "B".....	Nil	Nil	....	....	4	....	A-2	1936 statement expected to show substantial earning power on the preferred.
General American Transportation.....	2.64	3.00	76	42¼	79	3.00	A-1	Dividends follow profits closely.
General Railway Signal.....	1.75	1.00	57	39½	61	1.00	A-1	More freight and faster schedules brighten outlook.
Line Locomotive.....	def	....	63½	25½	63	....	A-2	May report nominal profit for last year. Current business much improved.
* National Malleable & Steel Castings.....	0.23	3.00	61½	54	61	2.00	A-1	Larger profits and dividends expected.
New York Air Brake.....	def	2.80	83	32½	82	2.50	A-1	Has large unfilled orders on the books; much additional business in prospect.
Poor & Co. "B".....	Nil	1.00	29½	12	27	....	A-1	As of 12 1.36 arrears on the preferred totalled \$6.50.
Pressed Steel Car.....	....	....	28¼	17½	27	....	A-2	Recently emerged from reorganization.
Pullman, Inc.....	def	1.80	69½	36½	70	1.50	A-1	Stockholders appear likely to receive larger dividends this year than last.
Superheater Co.....	0.63	1.30	60	27	60	0.95	A-1	Believed to possess the potentialities for large earning power.
Syrington-Gould, X. W.....	....	....	15½	12½	17	....	A-2	A recently formed consolidation of two well-known companies.
Union Tank Car.....	1.26	1.50	31½	22½	29	1.20	A-3	Possesses an unusually stable earnings record.
* Westinghouse Air Brake.....	0.30	1.20	50½	34¼	50	1.87½	A-1	Outlook greatly improved. Much new rolling stock to be built and old to be rehabilitated.

### Agricultural

I. I. Case.....	5.60	....	186	92½	158	4.00	A-1	Outlook good if only company can avoid continuance of labor trouble.
* Deere & Co.....	3.91a	8.00	108¾	52	123	....	A-1	Large current earning power; should liquidate arrears on the preferred shortly.
International Harvester.....	3.27	....	105½	56½	109	2.50	A-1	Expected to pay considerably more this year than last.
Minneapolis-Moline Pwr. Impl.....	Nil	....	12½	6½	15	....	A-2	Recapitalization plan likely to eliminate large preferred dividend arrears.
Oliver Farm.....	def	3.80	59½	24½	58	....	A-2	Earnings recover rapidly.

### Machinery and Electrical Equipment

* Allis-Chalmers.....	1.48	2.80	81	35½	80	1.50	A-1	Funded debt eliminated. Large increase in earnings expected.
American Machine & Foundry.....	1.12	1.20	29½	21	24	0.85	A-2	Manufacturer of automatic cigarette and cigar machinery is broadening line.
Babcock & Wilcox.....	2.33	....	140½	70	152	2.85	A-1	Demand for steam boilers is growing on a wide front.
Black & Decker.....	1.36d	2.74d	34½	18¼	38	....	A-1	Pays 25-cent dividend in 1937, the first since 1930.
Blair, E. W.....	0.09	....	27	13½	23	....	A-2	Planning recapitalization to eliminate preferred arrears.
Bucyrus-Erie.....	Nil	0.50	21¼	8½	21	....	A-2	Large arrears on the preferred entirely eliminated last year.
Bullard.....	1.06	2.50	35½	20¾	44	1.75	A-1	May well pay even more this year than last.
* Caterpillar Tractor.....	3.16	5.23A	91	54¾	96	5.50	A-1	Extra dividends in preferred stock being paid to avoid tax on undistributed profits.
Chicago Pneumatic Tool.....	0.48	2.20	24½	12½	31	....	A-1	Arrears on the preferred as of 1.2.37 amount to \$17.50 a share.
Cutler Hammer.....	1.82	4.00	83¼	43¼	85	2.75	A-1	Outlook is good for this maker of specialized electrical equipment.
Dohler Die Casting.....	2.39	4.00	38½	27¾	40	1.00	A-1	Last year eliminated all arrears on the preferreds and redeemed the issues January 1.
Electric Storage Battery.....	2.47	....	55¼	39½	43	2.75	A-2	Meets keen competition, but moderate improvement should continue.
Ex Cell-O—Aircraft & Tool.....	0.87	1.20	23½	14¼	24	0.75	A-1	Line of tools and parts being aggressively expanded.
* Fairbanks, Morse.....	2.47	4.50	71¼	34¾	70	1.25	A-1	Current earning power foreshadows larger dividends.
Food Machinery.....	2.54d	3.33d	48½	32	50	1.00	A-1	Large margin of earnings over dividends would appear able to pay more.
* Foster Wheeler.....	def	....	45½	24½	53	....	A-2	Understood to be currently on a profitable basis.
General Electric.....	0.97	1.60	55	34½	64	1.70	A-1	Fourth quarter, 1936, orders at 7-year high. Utility expansion enhances prospects.
Ingersoll-Rand.....	3.50	....	147	106	135	6.00	A-1	More than ordinarily strong financial position makes the dividend outlook the brighter.
Link Belt.....	1.28	2.70	55	36	60	2.50	A-1	Further extras may reasonably be expected.
Mesta Machine.....	3.11	....	65	40½	62	3.75	A-1	Plant expansion planned in heavy industries favor company.
Myers (F E) & Bros.....	3.26f	4.93f	62½	43	59	2.75	A-1	Outlook is favorable for this important manufacturer of pumps.
National Acme.....	0.51	1.20	19½	12½	22	0.75	A-1	Orders for automatic machinery in general are the highest on record.
National Supply.....	Nil	7.50	75½	19½	67	....	A-1	Arrears on the preferred as of the end of last year totalled \$33.25 a share.
Niles-Bement-Pond.....	1.54	....	52½	38½	50	1.00*	A-1	1936 report should show earnings well over double 1935.
Square D "B".....	2.06	2.70	43¾	21¼	45	1.94	A-1	Doing well. Stock was split three-for-one last year.
United Engineering & Foundry.....	1.92	3.50	50¼	32½	50	3.25	A-1	Expected to report an all-time high in earnings for last year.
Walworth.....	def	0.40	12½	5½	15	....	A-2	Demand for valves and pipe fittings has greatly increased. Larger earnings expected.
* Westinghouse Electric.....	4.50	6.00	153½	94½	161	5.50	A-1	Last year's dividends were a generous part of earnings.
Weston Elect. Instrument.....	0.98	1.10	33¼	22½	30	0.85	A-2	Moderate gains in earning power expected to continue.
Worthington Pump & Machinery.....	def	....	36¼	23½	45	....	A-2	Will recapitalize following reincorporation in Delaware, in order to eliminate preferred arrears.

E—Estimated. a—Year to Oct. 31. b—Year to April 30, 1936. c—Year to March 31, 1936. d—Year to Sept. 30. \*—Plus extra in stock. f—Year to Oct. 31.  
 \*—In our opinion, the more attractive profit opportunities. A—Actual earnings

# New Corporate Financing Gains Momentum

## Low Money Market Results in Rising Totals of Refunding and New Capital Issues

BY O. L. BLACKMAN

**I**N the year recently ended corporate financing was the largest in six years. It amounted, according to The Commercial and Financial Chronicle, to \$4,631,000,000, more than double the 1935 volume but far under the record high of \$11,000,000,000 in 1929. By far the major part of the year's offerings represented bond refundings, but in considering the outlook for 1937 financing certain tendencies of recent months are more significant than the 1936 totals.

Whereas early last year offerings consisted preponderantly of high grade bonds, especially by operating utility companies, put out for the purpose of scaling down interest rates, there developed in later months a growing diversification in the classes of securities offered and a gradual rise in the proportion of financing represented by new capital issues, both bonds and stocks. It is probable that this tendency will be even more marked this year, with increasing flotations of speculative or semi-speculative securities.

Although it is certain that new capital flotations will show a substantial rise and a much bigger percentage rise than total financing, comparison is still with a very low 1936 level and there is no reason to suppose new capital raised will remotely approach that of the average of the late Twenties. Many corporations are still plentifully supplied with cash and others which need funds for capital expansion are resorting to issuance of rights to shareholders, which, of course, involves no public offering. Recent prominent examples of this include Texas Corporation and Johns-Manville. Given a continued strong stock market, other companies can be

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expected to follow this method. To the extent that it is followed it will tend to hold down new capital issues publicly offered.

There is still a large need for refunding operations, however, as well as for new capital issues by companies not in a position to raise money through stock rights. The total of such financing this year will depend very largely upon the ability of second grade companies in the public utility, industrial and railroad fields to market their issues; and that, in turn, will depend upon the course of general business activity and the trend of interest rates, as well as upon the varying factors af-

fecting the credit position of the specific companies desiring to offer issues.

For example, the ability of many public utility holding companies to market securities depends not only on business and market conditions but equally upon clarification of the status of such companies in their relation to the Government's somewhat confused power program. Private utilities operating in the T V A area could not at present re-finance themselves to advantage, regardless of how favorable the general bond market happened to be. The same goes for many of the weaker railroads, pending either a stronger traffic gain or clarification of wage and legislative uncertainties or both.

To the extent that financing for the first half of the year is affected by the course of total business activity, the prospect is highly favorable. Barring an unduly protracted period of strikes in the motor industry or a spreading of C. I. O. strikes to the steel centers, the volume of business—which is right now more than 20 per cent above the level of a year ago—should be larger

than it was in the first half of 1936 by a substantial margin. Virtually all responsible forecasts agree on this, including the Treasury's carefully prepared estimates of income tax receipts.

If such is the course of general business it will necessarily tend to encourage further broadening of plant expansion and modernization programs, with resultant stimulus to financing. Recent numerous announcements of capital expansion programs by various leading companies, notably United States Steel, are forerunners of others to come.

As heretofore stated the trend of interest rates will also be of paramount importance in its influence upon coming corporate financing, and the chief factor to be considered here is the money policy of the Government. While there is not the pressure for borrowing new money now, the refunding program the Government faces over the next few years calls for its continued effort to keep money rates low. A slight rise in the rate for short term funds is conceivable, and in fact is already indicated, but there is little indication of an advance in the long term interest rate.

A change in the reserve requirements of banks sufficient to cause liquidation of Government securities from bank portfolios, of any consequence, does not seem likely in view of the necessity for supporting the Government market.

Neither can we envision as probable, a demand for credit sufficient to supplant high grade bond-holdings with commercial loans in the next year. For a material change in the commercial rate, a demand from borrowers would have to develop out of all proportion to recent experience. There has already been a tendency to build up inventories in anticipation of price rises, by textile, steel and other companies, yet the effect on loaning rates has been very small.

Whether tendencies for short term rates to advance will result in institutional liquidation of low yield bonds is a matter of psychology. We would not expect enough evidence to develop in 1937 that the turn had come for this to be likely.

It must not be forgotten also that the Federal Reserve appears to be operating under a social policy of low rates for borrowers. While it must attempt to control booms on the one hand—by sterilizing imports of gold and keeping the credit base within reasonable limits—it must also aid the Government's financing problem.

Of course, if there were any noticeable change in interest rates in London it is likely that they would sooner or later affect us but as long as the British Treasury is interested in continued low rates, irrespective of banking pressure for a more productive return, there is not apt to be much change. Continued collaboration on the sterling-dollar rate seems probable and minimizes any early spread between interest rates in the two countries.

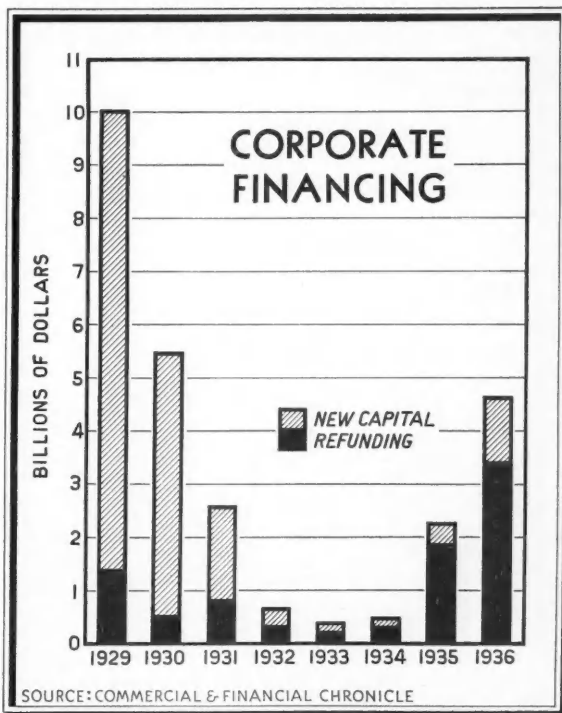
The combination of the foregoing factors indicates little early change in the level of long term interest rates. Granted that business moves forward in the next six months we see no reason why refunding and the raising of new money should not continue its 1936 pace. True, some offerings have met with market resistance of late, but a matter of  $\frac{1}{4}$  of 1 per cent to insure a successful flotation should not prove a barrier to any company.

According to the Dow-Jones compilation public utility

financing in 1936 led the field with \$1,936,000,000. Included were numerous large issues that represented refunding by the principal utility companies. So much was done by them last year that only a relatively small amount of their financing remains to be done. However, in the category of second grade credits there are potential offerings for the simplification of capital structure and the refunding with lower interest rates. The favorableness of the market remains the dominating factor in the probability of their accomplishment.

As maturities in the public utility group during 1937 are relatively small, financing will in large measure be the result of called issues and capital revamping.

The Administration's attitude will of course have a decided effect on the extent to which expansion and construction work is done by the utilities. Irrespective of the political factor some of the companies will have to yield to pressure for increased facilities. The building program would be tremendous if threats of government financed competition were moderated. Even should this occur there is a question whether plant expansion would result in new security offerings. Commercial banks have been extending credit on a longer than usual basis to cover (Please turn to page 520)



### Recent Large Financing

American Telephone & Telegraph.....	\$160,000,000
Consumers Power Company.....	55,052,694
Great Northern Railway.....	50,000,000
Tide Water Associated Oil Company.....	40,000,000
Oklahoma Gas & Electric.....	35,000,000
Houston Lighting & Power.....	27,500,000
Ohio Edison Company.....	26,834,000
Pacific Telephone & Telegraph.....	25,000,000
Armour of Delaware.....	20,000,000

# Makes Technical Development Pay

## Larger Earnings Indicated

BY ERNEST. P. TUNISON

**R**AYON is one of the most remarkable of the so-called new industries. Prior to the World War, rayon was artificial silk, and very artificial at that. Most of it went into cheap clothing, not a little of which came apart in the hands during the first wash and sometimes melted, disappearing altogether. In twenty-five short years, however, rayon production has moved from a few million pounds of sleazy thread to a billion pounds of man-made fiber which is more versatile than any which nature saw fit to give us. Today, rayon is almost as strong as silk. Its resistance to moisture is taken for granted. It is of uniform fineness, texture and color. It no longer has to shine like a Christmas tree ornament, but can be obtained with a lasting flatness, or dull-lustre. It can be woven with all kinds of other materials and a practice finding increasing favor is to cut up rayon's continuous thread into a staple which is then mixed with other materials in the spinning.

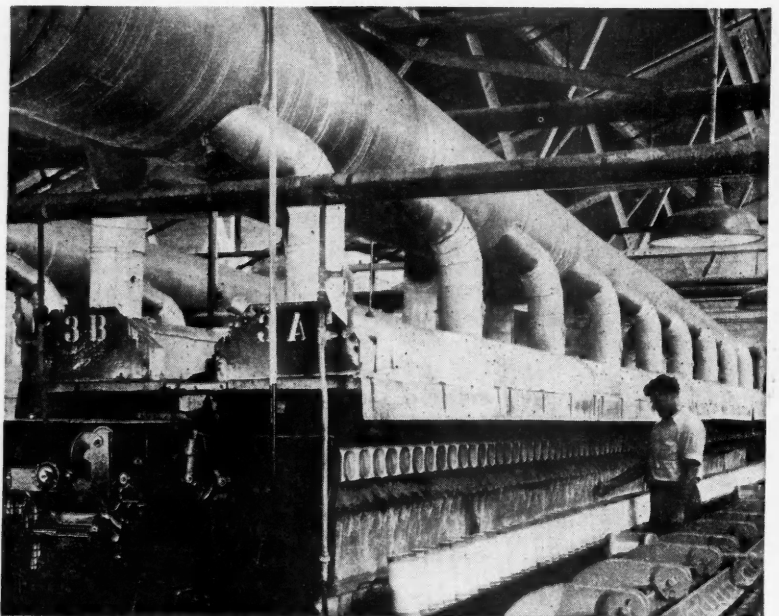
Twenty years in the rayon industry entitles a company to a founders' membership. Among those that could validly lay claim to such a position is the Industrial Rayon Corp., one of whose predecessors was the National Artificial Silk Co. which set sail over rayon's uncharted seas about twenty years ago. Naturally, with technical progress being made at a feverish rate, corporate history is apt to have its complications and it was only after a number of mergers and absorptions that in 1925 the company emerged in its present form.

Although Industrial Rayon is by no means the largest unit in the industry, its growth has been remarkable and the expansion continues apace. Official figures are not available, but the company's present capacity is probably not far from twenty million pounds a year and a rough idea of its position can be obtained by comparing this figure with an

estimated total production of rayon last year in the United States of two hundred and seventy million pounds.

Any conclusion at which one might arrive from these figures, however, must make allowance for the fact that towards the close of 1936 Industrial Rayon bought 408 acres of land near Painsville, Ohio. On this it will erect a plant costing between seven and ten million dollars in all, which will have a capacity of some twelve million pounds of rayon a year. The new plant will be the first of its kind in this country and will be devoted exclusively to bleached cone yarn for the weaving trade.

Rayon, until some four or five years ago, was sold in skeins which had to be wound onto spools and then, after treatment, into cones. There was an appreciable expense involved in this rewinding—possibly five or six cents a pound. While at first the cones commanded the



Photos courtesy of Industrial Rayon Corp.

Machine for spinning rayon thread from viscose solution

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premium to which they were obviously entitled, it was not long before competition narrowed the price-differential to the vanishing point. This meant, of course, that the producers of rayon were absorbing an item of considerable expense previously borne by the weavers.

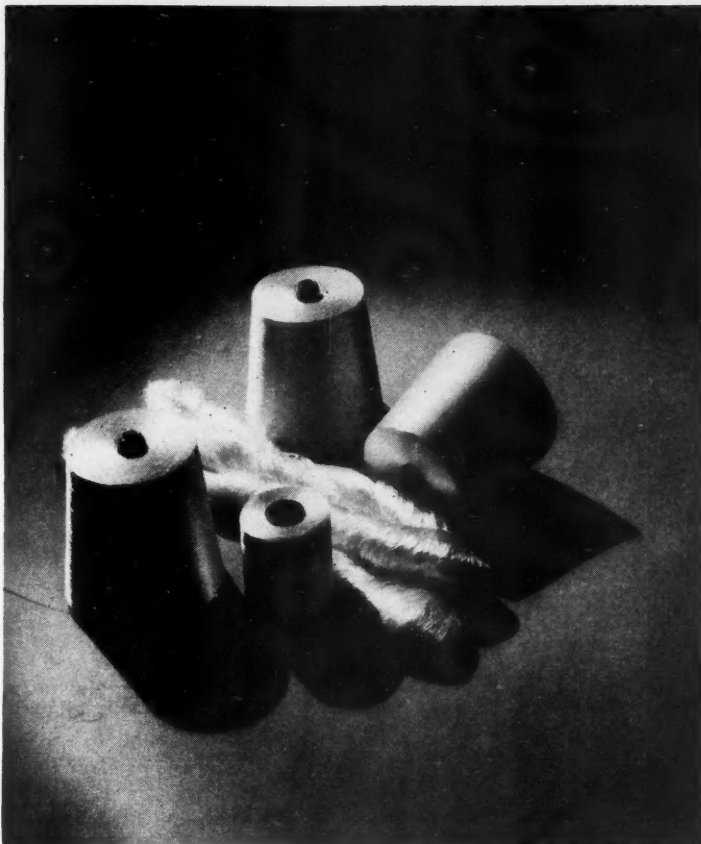
Rather than submit to the large expense for machinery and plant facilities which would have been necessary had Industrial Rayon gone into the production of cones by the old methods, the company made intensive efforts to discover whether or not the skein and re-winding stages could be eliminated altogether. The new plant is the result of the discovery that it *could* be eliminated. The new process is one continuous operation in which the rayon is spun, chemically treated, twisted and bleached and wound into the cones demanded by the weaver.

Industrial Rayon recently formed a wholly-owned subsidiary—Rayon Machinery Corp.—with an initial capitalization of \$1,000,000. The business of the new company will be first of all to manufacture the machinery for the parent company's new plant and then to sell or lease machines to other manufacturers. Because of the large reduction in cost effected by the new process, one can foresee its general adoption by other rayon manufacturers with handsome profits for those who developed it.

Although Industrial Rayon has had the advantage since birth of a ballooning demand for its product and is believed to have had costs as low as any in the industry, there have been wide fluctuations in net income. Such fluctuations are characteristic of cotton and woolen textile companies and apparently the newest division of the industry is to fall into line. In the case of Industrial Rayon an operating profit of more than \$2,000,000 in 1934 fell to \$1,500,000 in the following year owing to a combination of price-cutting and an eleven-week strike at its Cleveland plant. Complete figures for last year are not available, but from the indications given in the interim statements it looks as if the company had regained the ground lost and was back to the 1934-level.

For the first nine months of 1936, Industrial Rayon reported an operating profit of \$1,574,113, compared with an operating profit of \$1,057,778 in the corresponding previous nine months. Net income for the two periods was \$923,557 and \$415,919, respectively, equivalent to \$1.52 and \$0.69 a share on the outstanding common stock. Earnings for the full year 1936 should exceed \$2. The company's capital liabilities consist solely of 606,057 shares of common stock of no-par value. There are neither bonds nor preferred stock outstanding.

Industrial Rayon's liquid finances are in an exceedingly healthy state. As of June 30, last, current assets amounted to \$10,500,000, of which some \$4,400,000 was in the form of cash or United States Government obligations, while current liabilities were less than \$1,000,000.



Rayon yarn in cones, skeins and tubes ready for shipping

Despite such an enviable position, however, it is quite possible that the company enter the market for additional funds before very long. There is the new Painesville plant to be financed, the new machinery subsidiary, a three-million-dollar expansion of the Cleveland plant announced last September and, finally, consideration must be given to the fact that a larger volume of business requires just that much more money. When, and if, it becomes desirable to raise additional capital, it is likely to be done by offering present stockholders rights to subscribe to more stock.

In view of what Industrial Rayon faced in the way of expense, it must be considered to have behaved generously to stockholders last year. Dividends totalled \$2.10 a share for the year, while in December an extra of 50 cents was declared, payable January 2, 1937.

Fundamentally, the outlook for Industrial Rayon is a good one. There is no reason to suppose other than that the demand for rayon will continue to expand. Research is constantly developing a better product and processes which reduce its cost. At the same time, experimentation on the part of weavers is bringing to light novel fabrics, the like of which could never have been achieved with cotton, wool, or any of the old "natural" fibres. Many of these modern fabrics neither look nor feel like rayon and the average purchaser could never tell that they are indeed made of this material. Just as an example of what can be done with rayon, there are the remarkable (Please turn to page 523)

# Opportunities in Convertible Preferreds

Issues Yielding Current Income and Offering  
Conversion Features of Prospective Profit

BY LLOYD CARLSEN

## Selling Close to Conversion Point

Sharon Steel Corp. \$5 Conv. Preferred	
Amount Outstanding.....	40,000 shs.
Recent Price.....	102½
Call Price.....	107½
Conversion Price.....	35
Common Recent Price.....	32

Sharon Steel Corp. \$5 convertible preferred was issued last March as part of a refinancing operation, which also involved the sale of \$2,000,000 4½% convertible debentures, due 1951. Proceeds from the sale of the two issues were used to retire \$5,328,000 5½% 1st mortgage bonds due 1948 and for other capital purposes. At prevailing quotations, the preferred shares yield close to 5%, an attractive rate of return under present circumstances, plus the strong possibility that the convertible feature will become increasingly valuable in the months ahead.

Sharon Steel is one of the smaller steel manufacturers, with output consisting principally of bars, bands, hoops and some sheets. During the past year, however, output of hot and cold rolled stainless steel strip has expanded considerably and made important contributions to profits. Principal customers include the automobile industry, which accounted for about 55% of 1935 output, and manufacturers of barrels, steel drums, electrical refrigerators, washing machines, stoves, etc.

In common with the great major-

ity of steel companies Sharon's operations were conducted at a deficit for five successive years during the depression. Losses, however, were absorbed with impairment to finances. Since 1934, the company's earnings have displayed exceptional recuperative power, so much so in fact that indicated profits for last year were not far short of the record-breaking level of 1929. Estimated earnings for last year are placed at better than \$1,250,000, or about \$3 a share for the 368,359 shares of common. This would compare with \$2.74 a share earned in 1935, when no preferred stock was outstanding. Dividends were resumed on the common late last year at the rate of 30 cents quarterly and were augmented by a 75-cent extra. The company is reported to have entered the current year with a sizable volume of unfilled orders on its books and while operating costs have been increased by higher wages, prices have been advanced so that profits in the initial quarter should compare favorably.

The preferred shares are convertible into common stock at \$35 a share up to May 1, 1939; at \$40 to May 1, 1942; at \$45 to May 1, 1946; and at \$50 to May 1, 1951. With the common selling at 32, in close proximity to the conversion price, and but little more than ten times indicated earnings for 1936, the junior issue itself appears to be a promising speculation. The preferred, on the other hand, offers a better income return than the common, while

the convertible privilege enables preferred holders to share the speculative possibilities of the common.

## Rising Earnings Trend

Food Machinery Corp. 4½% Conv. Preferred	
Amount Outstanding.....	20,000 shs.
Recent Price.....	117
Call Price.....	105
Conversion Price.....	(see text)
Common Recent Price.....	50

Issued about a year ago at \$102, the 4½% convertible preferred shares of Food Machinery Corp. are currently selling on a basis to reflect the value of their conversion privilege. This feature enables holders of the preferred to convert into 2¼ shares of common stock at any time up until the end of 1938, and on the basis of the above price for the common has a value equal to \$112.50 per share of preferred. The common stock is paying dividends at the rate of \$1 a share annually, so that conversion of the preferred shares at this time would result in reducing the cash return from \$4.50 to \$2.25 per share annually. The dividend on the common would have to be more than double the present rate to make it profitable to convert the preferred, unless, of course, the preferred shares were to be called. However, a dividend of at least \$2.50 a share on the common is easily within the realm of possibilities.

For the fiscal year ended September 30 last, the company earned the equivalent of \$3.33 a share on the 584,444 shares of common stock and there is ample reason to believe that profits this year will be further enlarged. The company is rated the largest manufacturer of machinery and equipment for the handling of various food products, including fish, fruit, vegetables and canned meat products. The company also controls processes for adding color to fruit. Some of its equipment is leased and such returns account for about 14% of gross income. Organized less than ten years ago, Food Machinery has recorded steady growth and expansion, and during the depression escaped with only a single deficit—in 1932.

Last year the company was not subject to any tax on surplus earnings, but will be in the 1937 fiscal period. This factor plus the favorable earnings prospect would seem to substantiate the possibility of increased dividends to the ultimate advantage of both common and preferred shareholders.

### A New Oil Convertible

#### Tide Water Associated Oil Co. 4½% Conv. Preferred

Amount Outstanding.....	500,000 shs.
Recent Price.....	103
Call Price.....	107
Conversion Price.....	27½
Common	
Recent Price.....	21

By comparison, not one of the larger oil units, Tide Water Associated has been persistently adding to its industrial prestige and stature, and its record of earnings has been good. Recent years, on the one hand, have witnessed important additions to the company's facilities, notably greatly enlarged crude oil reserves, and on the other hand, a considerable reduction in capital charges ahead of the common stock. The latest financing of the company involved the sale of \$40,000,000 3½% debentures due 1952 and 500,000 shares of 4½% convertible preferred stock. Holders of 626,221 shares of 6% preferred stock have been offered the privilege of exchanging

their holdings share for share for the new 4½% preferred and \$2 in cash. Shares not thus exchanged will be called for redemption. Funds for the latter purpose will be supplied by the proceeds of the \$40,000,000 debentures. Also, \$18,800,000 in notes will be retired. In addition to the new preferred stock and debentures, capitalization will consist of 6,288,492 shares of common stock.

Convertible privilege on the new 4½% preferred stock begins at \$27.50 a share for the common until July 1, 1939, after which the price increases by progressive stages until 1944 when it reaches \$40 a share. Earnings of the company for 1936 have been officially estimated at \$11,000,000 or about \$1.25 a share for the common. Currently quoted around 21, or about six points below the level at which the conversion feature on the preferred would be valuable, the common appears reasonably priced, particularly in relation to current prospects. Operations this year should more fully reflect not only the benefits of enlarged supplies of crude but the economies in fixed charges and operating costs, as well. Dividends of 15 cents quarterly on the common are conservative, and would be subject to an upward adjustment with any further gain in profits. All in all, the preferred shares offer a sound investment for income, with the convertible feature suggesting the presence of interesting possibilities for longer term price appreciation.

### Dynamic Earnings Prospect

#### Minneapolis-Honeywell Regulator Co. 4% Conv. Preferred

Amount Outstanding.....	25,000 shs.
Recent Price.....	119
Call Price.....	100
Conversion Price.....	120
Common	
Recent Price.....	110

Notwithstanding the fact that demand for the company's products is heavily dependent upon building activity, Minneapolis-Honeywell Regulator was successful in maintaining profitable operations throughout one of the most severely restricted periods ever experienced by the building industry. In this achievement, the

company was aided by a modest capitalization. The company is one of the foremost manufacturers of heat-regulating and temperature-control devices for both private and industrial uses. Demand for these products has had the benefit of a steady upturn in the installation of new gas and oil-burning heating equipment. Air-conditioning also has been a factor. Research and the development of new products play an active part in the company's success.

The 4% convertible preferred stock was issued to retire an issue of 6% preferred and reimburse the company for capital expenditures. Although the shares yield less than 3½%, they are entitled to a strong investment rating and their convertible feature is a distinctly promising one. Holders may convert into common stock at \$120 a share, or about ten points higher than recent quotations. This price is in effect until December 1, 1941, after which it advances to \$150.

Last year, in the first nine months, the company's sales were nearly \$3,000,000 ahead of the same period of 1935 and for the full year it is estimated that earnings were equivalent to approximately \$4.25 a share for the common stock. This would compare with \$2.66 a share earned in 1935. Dividends late last year were placed on a \$2 annual basis for the common stock and there is a strong possibility that regular payments will be enlarged by extras this year. Considering the company's record during a period when building activity was at a low ebb, it is not difficult to envisage its earning power given the benefit of a genuine revival in construction. The preferred shares, accordingly, present a commendable investment opportunity.

### Attractive on Earnings

#### Paramount Pictures Corp. 6% Second Conv. Preferred

Amount Outstanding.....	644,140 shs.
Recent Price.....	25
Call Price.....	10
Conversion Price (see test)	
Common	
Recent Price.....	28

(Please turn to page 528)

# Bank Stocks Point Upward

## Interesting Comparison of Earnings and Balance Sheet Items

BY FRANCIS EDMONDS

**O**PERATING EARNINGS of the principal New York banks, exclusive of recoveries on loans and on securities, covered dividends by a wider margin last year than in 1935. A feature of significance to shareholders was a general movement to restore to surplus and undivided profits reserves no longer needed and proceeds of recoveries actually realized. After these restorations the "earnings" per share were in some instances almost fantastic. These releases of reserves and recoveries immediately boosted the book values per share. An attempt has been made in the accompanying table to show approximately what operating earnings per share were in 1936 and 1935, insofar as these could be determined from figures supplied by the banks, and the betterment, per share, after taking account of the charge-backs which increased book values.

Profits on securities and recoveries actually realized are real profits out of which dividends may be paid, but the average conservative bank does not view such earnings in the same light as it does those derived from interest and discount on loans and other more normal banking operations, for the latter are recurrent while the former are not likely to be. Hence there is little chance that directors of sound banks will increase dividends because apparent earnings per share have been swollen by non-recurrent items. Such increments added

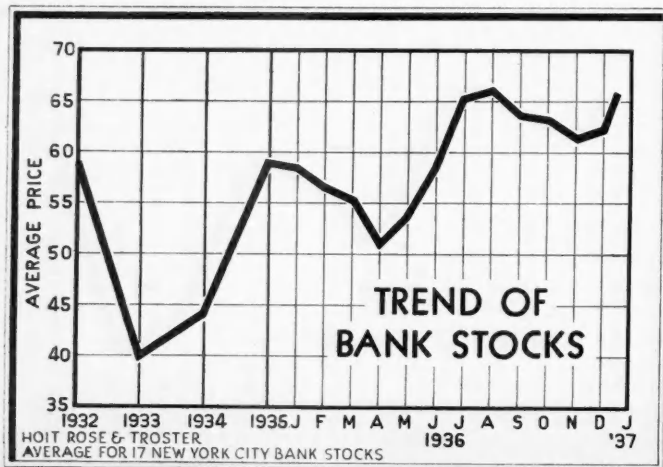
to surplus and profits do make more secure, naturally, rates of dividends currently paid and they are quite important to many banks in that they increase the ratio of surplus to capital, keeping capital funds in line with deposits and leaving directors free to pay in dividends in the future a greater proportion of earnings than would be the case were it necessary to build up capital funds to a higher level.

With such favorable results in the background it is difficult to see how the shares of the best New York banks, which have responded moderately to 1936 earnings and prospects for tighter money, are anywhere near the level of appreciation which will be justified by coming events.

These events include a further probable expansion in commercial borrowing, provided recovery sentiment is not chilled by too much monetary management and labor troubles. Commercial and miscellaneous loan earning assets last year rose 25 per cent, the first big gain since the depression began. There has lately been a slight firming tendency in short term money rates, partly attributable to expectation of further increases in reserve requirements which would exhaust surplus funds in New York before it would use them up in other sections, raising Wall Street money rates more abruptly.

There are also such things as the prospective termination of shareholders' double liability next July 1, not only for national banks but for New York State banks under the recently enacted Stevens Act. This may make such shares more attractive for trust funds. Furthermore, the surface has hardly been scratched in the matter of recoveries and security profits, especially for some of the bigger banks which have been ultra conservative.

The only weak point in the earnings reports for 1936 of the principal banks, if it may be called a weak spot, is that the earnings before adjustments include a substantial volume of trading profits from purchase and sale of securities. In some of the big banks, like Chase, dividends received on stocks, which are not to be permanently held, have contributed considerably to income for the year. Trading profits on securities are to be distinguished from mark-ups



**Table I**  
**Earnings Before and After Adjustments Per Share**

	Divi- dend	1936 Before	1936 After	1935 Before	1935 After	Book Value End of 1936	End of 1935
Bank of N. Y.....	\$14.00	22.40	50.73	....	21.67	216.00	279.30
Bank of Manhattan...	1.50	2.01	1.50	1.87	1.50	22.72	22.72
Bankers Trust.....	2.80	2.93	4.22	3.25	5.04	39.58	37.35
Central Hanover.....	4.80	6.50	8.00	....	6.03	83.62	79.62
Chase National.....	1.40	2.24	8.93	....	1.82	30.68	23.16
Chemical.....	1.80	4.06	3.55	4.04	2.69	36.69	34.94
Commercial.....	8.00	....	11.89	11.39	9.68	212.78	210.89
Corn Exchange.....	3.00	3.47*	4.48*	3.56*	3.27	43.25	41.77
First National.....	100.00	113.89	263.89	113.54	113.54	1169.71	1005.72
Guaranty Trust.....	12.00	14.90	14.18	14.22	12.11	299.29	297.11
Irving Trust.....	0.60	0.73	0.93	0.70	0.93	22.13	21.79
Manufacturers Trust..	2.00	4.92	9.13	4.04	2.01	36.26	27.01
National City**.....	1.00	2.42	4.07	2.05	1.47	25.31	22.76
N. Y. Trust.....	5.00	9.09	17.09	8.12	5.73	80.54	68.45
Public National.....	1.50	3.71	4.78	2.43	2.43	44.80	41.52

\*In 1936, exclusive of \$3.71 per share security profits and recoveries; in 1935 \$3.38.

\*\*Including City Bank Farmers Trust Co.

of securities held, or releases of reserves formerly set up, in that the former represent profits made on actual sales. Probably the bulk of the release of reserves in the case of First National Bank did not result from sales of the investments in the securities portfolio, but from the establishment of a higher sound value for them.

If money rates rise and bond prices fall, the securities trading profits would be eliminated very largely but money otherwise employed, especially in loans, probably would earn more. The fall in prices for a long period would be harmless to the banks because their portfolios as a whole are carried at levels millions of dollars below December 31 market values.

Another reason why a fall in prices would be relatively harmless is the fact that the banks which hold the largest volume of treasury obligations have been careful to specialize in the shorter term issues. Complete figures for all the banks whose statements are analyzed here are not available, but at the annual meetings of the stockholders many statements were made orally by Chairmen which gave the percentage of short to long term issues. The Chase, for instance, has 90 per cent of its government security portfolio due within five years. Guaranty Trust, whose holdings of governments rank second only to the Chase, has about 74 per cent of its investment maturing within the same period. Central Hanover has 85 per cent in short terms, and the National City about 78 per cent. New York Trust's ratio is 75 per cent due within five years. For First National Bank the relationship between the proportion of short terms to total portfolio is only 45 per cent. But the First National Bank holds some large blocks of long-term bonds bought at favorable prices several years ago. These percentages suggest that if the government security market weakened materially, the larger banks would await the run-off of their short securities instead of selling in the open market.

Looking to the longer future, and assuming a further expansion in deposits which seems inevitable, there may be attractive possibilities for sale of new stock to increase capital in the case of shares of those New York banks which have capital funds totaling less in amount than one-tenth of net deposits (deposits less exchanges for clearing house and other uncollected items.) The bank share market would have to rise substantially to make such offerings feasible.

Prospects for further extensive revision of the commercial banking laws, national or state, are not disturbing, but there is likely to be proposed legislation which if enacted may render less profitable trust department activities and make necessary some reshuffling of trustee activities among the different banks. In the end this would hardly be likely to curtail aggregate earnings per share by an important degree.

At the present time, despite the year end price advances which occurred, the bank shares still lag far behind other groups of stocks. Banks are not subject to the corporate tax on undistributed income and are unlikely to become subject to such a tax because government policy is to strengthen, not weaken, bank capital structures.

Table I of per share earnings after recoveries includes only those which have been carried into undivided profits or surplus; it does not show recoveries which have been added to reserves and not carried to undivided profits or surplus.

Table II compares important items from recent statements. Significant features of these statistics are the growth in gross deposits which has brought about a general rise in the ratio of deposits to capital funds, divergent policies as to investments in government securities and signs of an improvement in the ratio of loans and discounts to deposits. Changes in the ratio of deposits to capital funds in the cases of some of the banks have been influenced by changes in capital funds.

**Table II**  
**Important Statement Items, 1936 vs. 1935**

	Gross Depos. in Millions	Gain %	Gov't Secs. in Millions	Change %	Gov't Secs. to Depos. %	Depos. Times Cap. Fds. Dec. 31	Loans & Discs. to Depos. % Dec. 31		
						1936	1935	1936	1935
Bank of N. Y. ....	\$182.1	0.8	\$59.3	-14	32.5	9.59	10.78	30.2	23.7
Bank of Manhattan..	508.1	5.2	80.4	-5	17.4	11.18	10.63	48.9	44.3
Bankers Trust.....	953.6	4.7	448.8	-2	47.0	9.64	9.75	26.8	23.2
Central Hanover.....	879.4	7.1	352.2	+8	40.0	10.02	9.82	29.9	31.5
Chase National.....	2286.2	10.2	780.0	+39	34.1	10.07	9.34	34.2	30.9
Chemical.....	590.0	11.9	144.9	-21	24.5	8.04	7.54	38.1	38.6
Commercial.....	94.3	10.3	29.0	-3	30.8	6.27	5.79	50.2	46.9
Corn Exchange.....	327.0	14.3	131.6	+4	40.2	10.08	9.13	14.9	16.7
First National.....	526.2	9.8	235.5	+20	44.7	4.50	4.77	12.4	19.6
Guaranty Trust.....	1744.8	15.3	590.1	+25	33.8	6.48	5.66	38.5	39.3
Irving Trust.....	595.6	0.7	225.5	+12	37.8	5.38	5.43	33.9	35.5
Manufacturers Trust..	631.4	11.6	238.4	+4	37.7	7.45	8.14	35.5	34.1
National City.....	1713.8	3.7	526.9	+3	30.7	12.84	9.83	34.3	33.1
City Bank—Farmers..	106.4	21.6	32.3	-18	30.3	4.54	3.84	7.2	10.8
N. Y. Trust.....	374.5	2.5	170.8	+12	45.6	9.30	10.68	34.2	34.4
Public National.....	158.1	14.3	26.2	-30	16.5	10.70	10.09	43.7	35.3

# Prospects Favor Higher Earnings

Active Conditions in Florida Increase Traffic

BY PIERCE H. FULTON

**T**HE Atlantic Coast Line Railroad has definitely "turned the corner," in traffic and earnings. This is the opinion of the directors and officials, who are familiar with the territory served by the company, and likewise with its earning power, under anything like normal conditions. Last year was the best since 1931. The outlook for this year is even brighter.

The real turn in both traffic and earnings came during the closing days of December, 1935, and followed almost immediately on the authorization by the Interstate Commerce Commission of lower rates on citrus fruit on the sailing days of coastwise vessels, bound for northern ports. The diversion of this highly profitable traffic had become decidedly serious for the railroad, but now it is in a position to regain a fair portion of it. In addition, more active conditions in Florida generally are providing the road with greatly increased traffic of all kinds.

The improvement in traffic and earnings of Atlantic Coast Line continued to expand throughout last year, becoming particularly noticeable as to earnings in July. For that month gross revenues were \$2,887,143 against \$2,431,221 for the corresponding month of the previous year. Net operating income had reached \$129,187 compared with an operating deficit for July, 1935, of \$282,912. The degree of increase in that particular month was the more striking because it was the first month after the close of the marketing season for citrus fruit in Florida, which is from September 1 to June 30.

In the succeeding months, Atlantic Coast Line's gross and net earnings continued to grow. November was the best month in the second half of that fiscal period, the gross being \$3,603,124 against \$2,923,011 for November, 1935. Net railway operating income had expanded to \$503,645 compared with \$286,227.

In 1936, Atlantic Coast Line received dividends totaling \$6 a share on the 596,700 shares of Louisville & Nashville Railroad stock owned by it. These dividends added \$3,580,200 to Atlantic Coast Line's investment income and made it possible to report a net income after fixed charges for the first 11 months of last year of \$2,008,358, equal to \$2.43 a share against a net loss of \$1,967,974 for the first 11 months of the previous

year. Except for the Louisville & Nashville dividends, Atlantic Coast Line would have reported a net loss after fixed charges of \$1,781,482 for the first 11 months of 1936. These figures clearly show the importance of Atlantic Coast Line's investment in 51 per cent of Louisville & Nashville stock outstanding. In addition, the former company benefits traffic-wise by reason of its ownership of this controlling interest in Louisville & Nashville.

By those who are close to the management, it is estimated that a net income of about \$100,000 for December will be reported by Atlantic Coast Line. This would make the total of that item for the year approximately \$2,100,000 and the rate per share practically the same as officially reported for the first 11 months. For the 1935 fiscal year, there was a net loss of \$2,529,455. The indicated net income for last year was essentially the same as for 1931, when it was \$2,020,858.

## Strong Financial Position

In December last, Atlantic Coast Line declared a dividend of \$1 a share on its common stock, the first since January, 1932. The chief purpose of this declaration was to give the surplus profits to the junior stockholders instead of to the Government as a tax on surplus profits. To pay this dividend required \$823,427. The directors would have preferred to hold the cash in the company's treasury, thus strengthening it by that substantial amount.

Cash on November 30, however, stood at the very comfortable amount of \$10,663,801 against \$8,222,713 on the corresponding date of the previous year and \$6,174,995 on November 30, 1934. The strong financial position of this company is further shown by the fact that, in spite of the lean years through which it went, current assets as of November 30, 1936, stood at \$19,162,290 against current liabilities on the same date of only \$7,496,880.

As was expected in well-informed circles, Louisville & Nashville, on January 21, declared another dividend, \$2.50 a share. This will bring into Atlantic Coast Line's treasury \$1,491,750, equal to about \$1.81 a



Gendreau

#### Loading oranges in Florida for Northern markets

share on its common stock. As the policy of the management, as already intimated, is to make the cash position as strong as possible, it is doubted that the directors will give serious consideration to the declaration of another common dividend until towards the end of the current fiscal year.

As the policy of the Louisville & Nashville management, on the other hand, is to pay out its surplus earnings pretty freely in dividends, it would seem reasonable to assume, on the basis of the outlook for that company's traffic and that of the railroads in general, that Atlantic Coast Line will receive a very substantial amount again this year on its L & N holdings. If its own earnings continue to increase as now expected by the management, it will be in position to declare a larger dividend for 1937 than it did for 1936.

Best of all, the improvement in traffic and earnings that became so noticeable last year, promises to be considerably expanded during the present year. Loadings for the first seven days of January, for instance, showed almost phenomenal rates of increase over the corresponding periods of 1936. These percentage increases ranged from 36 per cent in refined petroleum to 1,600 per cent in celery. There were numerous other striking gains, embracing practically all the commodities handled by the railroad in volume, ranging from agricultural products to building materials, and which clearly proves the comprehensiveness as well as extent, of the betterment in Atlantic Coast Line's traffic now well under way. Passenger traffic so far during the present winter season has been particularly gratifying.

Reverting to the current crop movement season, which began on September 1 last, we find particularly big increases month by month to the end of December. The figures for January of this year as a whole, of course,

have not been completed. In September, 1936, the Atlantic Coast Line moved 599 cars of citrus fruit against only 115 in September, 1935. The movement continued to increase rapidly, so that in December the total amounted to 3,953 cars against only 2,833 for the last month of 1935. In other words, the total movement of citrus fruit by Atlantic Coast Line for the first four months of the current crop year—September to December, inclusive—was 9,317 cars against 4,849 for the same period of 1935.

On January 1, according to the United States Department of Agriculture, the prospect for citrus fruit production during the present crop season, is the largest on record, for the country as a whole. The previous record crop was produced in 1934-1935 and amounted to 21,357,000 boxes. For the current season the estimate is for 28,383,000 boxes. The output of grapefruit in Florida alone is placed at 17,300,000 boxes for the current season compared with 11,000,000 for the previous season. The indicated orange

crop in Florida for the 1936-37 season is 21,200,000 boxes against 18,000,000 boxes for the previous season.

Reports are being received at frequent intervals by officials of the Atlantic Coast Line Railroad showing the extent to which business in general in Florida has improved and promises to expand still further during this year. Building of all kinds is on a larger scale than at any time since the severe real estate slump that followed the corresponding boom of some years ago. As a consequence, building materials of all kinds are in demand and are being moved freely by the railroad.

For instance, during the first seven days of January, the Atlantic Coast Line moved 706 cars of lumber, an increase of 44.7 per cent (Please turn to page 520)



Courtesy Atlantic Coast Line R.R.

#### Loading celery in Atlantic Coastline Line refrigerator cars

# For Profit and Income

## Note on Dividends

If stockholders are disappointed with the dividends that they receive during the first half of the present year, it will be because there is a reason for it: a reason, however, without significance so far as disbursements for the full year are concerned. Spurred by the tax on undistributed profits, many corporations paid out in dividends towards the end of 1936 more than they could really afford. Such corporations will only be following the wisest course should their dividend declarations be conservative over the first few months of a new year, for there is always the chance that the objectionable tax on undistributed profits will be modified, or even that adverse developments in the latter part of the year will curtail their earnings. Stockholders of companies that decide to be conservative about dividends for a while should neither complain nor feel necessarily that their holdings are the less valuable for it.

## Develops Interesting Specialties

Ludlum Steel has been long and favorably known for its alloy steels. These include tool steels for drills and cutters, steels for rock tools and stainless steels for valves and other parts where resistance to corrosion and heat is an important factor. The company, however, is constantly developing new lines. In December, for example, it announced a complete line of "Silerome" stainless heat-resisting castings. The

company has done a great deal of work on the development of steel foil for the building industry and as this is an industry which seems clearly destined for much greater activity, there would seem to be well-defined possibilities of this line adding materially to profits. For the first nine months of last year, Ludlum earned the equivalent of \$1.30 a share of common stock and earnings for the full year should be not far from the equivalent of \$2 a share of common. Including a 25-cent extra paid in December, Ludlum distributed \$1.25 a share in dividends to its stockholders during 1936. The outlook for any well-established and financially strong company in the field of alloy steels is quite bright at the present time and it is to be doubted that the common stock of Ludlum Steel at its current price of \$30 a share has discounted its possibilities.

## Price Anomaly

In the face of continued newspaper accounts of soaring prices it is something of an anomaly to pick up the new Montgomery Ward catalogue and discover that prices average about 1 per cent lower than a year ago. Somewhat lower prices were carried also in the latest Sears, Roebuck catalogue. The curious state of affairs is explainable by the fact that the big mail order companies utilized their great resources to stock up with goods at prices lower than now prevail and that, instead of quoting selling prices on

the basis of replacement cost, they are passing along favorable prices to their customers. Theoretically, this is considered a dangerous procedure, for it spells an impairment of working capital. In any event, if the present general price trend continues, these companies will have to fall in line. Meanwhile their competition is going to be all the more formidable against merchants whose resources have not permitted large forward stocking, as well as against some with ample resources who would prefer to boost their prices promptly for larger profit. Since their policy continues to be to stretch the consumer's dollar to the practical limit, it is not surprising that the big mail order companies have enjoyed larger volume gains than any other branch of merchandising.

## I C C Ruling Guarantees More Business

Coming as something of a surprise, the American Association of Railroads has ruled that the old arch-bar-truck cars will not be valid for interchange on carriers' lines after January 1, 1938. It is estimated that there are still not far from half a million arch-bar cars in use and, if these are all changed to modern design this year, it is going to tax the facilities of those manufacturing the new equipment. American Steel Foundries, Symington-Gould and National Malleable & Steel Castings are among the companies which might be expected to

benefit from this business and because of this and the prospective demand for other railroad equipment all should prove profitable holdings.

### A Record and a Promise

Although General Motors sales and production are currently almost at a standstill, some intimation is given of what might happen when the labor difficulties are surmounted and normal deliveries can be made by the recent remarks of W. E. Holler, the energetic Vice-President and Sales Manager of Chevrolet Motor Company. More than 1,168,000 new cars and trucks were sold in 1936. Sales in seven of the twelve months totaled more than 100,000. During the previous history of the company there have been only nine months that saw the magic 100,000 figure equaled or topped. Last year Chevrolet dealer organization sold 2,019,839 used cars and trucks, and all told accounted for \$1,300,000,000 worth of merchandise moved from dealer to consumer.

### Copper Production With-out Limit

The sharp break in the price of copper abroad on a heavy volume of transactions would have happened sooner or later even though there had been no removal of restrictions on foreign production. A top-heavy speculative position would have brought it about and the restriction removal, coupled with the unsettled labor conditions in the domestic automobile industry, was merely an excuse for what was bound to happen ultimately. Following the decline, the price of copper has recovered somewhat. From this point, those who believe in a bright future for copper—and certainly there is much to be said for this attitude in the face of depleted stocks and a re-

## Developments in Companies Recently Discussed

**Niagara Hudson Power.** According to the company's chairman, is experiencing an increase in power demand unequalled by any other system in the country. Facilities must be considerably expanded over the next eighteen months and the company's merger plan with Mohawk Hudson is a preliminary to new financing.

**Liggett & Myers.** Reported earnings for last year equivalent to \$7.25 a share, compared with \$4.91 a share in 1935. Combination of the tax on undistributed profits which induced the company to pay \$7 in dividends, and a large increase in inventory values, drove it into debt with banks to the extent of \$2,500,000—the first bank borrowings in many years.

**Sears, Roebuck.** Is understood to be planning to enter the tractor field again—the machine to be built by Graham-Paige.

**Youngstown Sheet & Tube.** Has voted a dividend of \$9.62½ cents on the 5½% preferred, thereby clearing up all arrears. Should not be long before the common is a dividend payer.

**American International.** Reports as of December 31 a net asset value of \$2,589 per \$1,000 principal amount of 5½% debentures and other indebtedness. After deducting notes payable, asset value of the common was \$19.06 a share.

**Swift & Co.** At the annual meeting held January 21, the company's president an-

nounced: "Satisfactory operating results for the first two months (November and December, last) of the 1936-1937 fiscal year." This constitutes a measure of confirmation of the bright near-term outlook enjoyed by the packing companies.

**Southern Pacific.** Reported net operating income in December the largest in the company's history.

**Westvaco Chlorine.** Is proposing to acquire California Chemical and erect a new plant at Newark, California, to cost about \$1,000,000. California Chemical produces bromine and bromium compounds.

**General American Transportation.** Statement filed with S E C shows the company to hold 155,801 shares of the first preferred stock of the Pressed Steel Car Co. This is more than 36% of the total first preferred outstanding.

**Container Corp.** Has let contracts for the first unit of its new Florida pulp mill. The whole is a \$7,000,000-project, the first unit alone to have an annual capacity of 40,000 tons of kraft pulp.

**Johns-Manville.** Company is to offer 100,000 shares of additional stock to present stockholders in the ratio of 1 share for every 7½ shares held. The offering price is expected to be \$100 a share and the money raised by the company will be used for working capital and expansion of plant.

markably well-sustained consumption—will do better to seek confirmation of their hopes through demand rather than through further price advance. What is needed now is price stability, lest there be a repetition of the pre-depression debacle. It will be remembered how, in 1928 and 1929, by forcing the price of copper beyond the 20-cent level producers laid the groundwork for a horrific crash.

There is not a self-respecting copper company in the world today which cannot make money, and plenty of money, when the price of

the metal is thirteen cents a pound. A rise from this level will sooner or later curtail consumption and open the market to a hundred marginal producers whose mines are much better left closed. In some respects it is a pity that the foreign restrictions were not lifted sooner, for if this had been done it might have been possible to keep copper more or less stable at somewhat lower levels. The day-to-day trader perhaps may regard further advances in the price of copper constructively, but the longer-term investor is justified in entertaining doubts.

# The Magazine of Wall Street's Common Stock Price Index

## Eleventh Annual Revision

WITH this issue THE MAGAZINE OF WALL STREET'S Common Stock Price Index enters upon its twelfth year. Based upon weekly closing prices of practically all active common stocks, the Index records the more important price movements of industrial group averages and of the market as a whole with far greater fidelity, especially in these days of highly selective activity, than any index or averages based upon a small number of leading stocks, or even any index composed of many stocks if weighted by the number of shares outstanding; since

the latter method of computing an index is tantamount to emphasizing the price movements of a limited class of issues with large capitalization.

It will be recalled that judgment plays no part in selecting the issues to be included in our Price Index. The decision is left entirely to the investing and trading public, as interpreted by a purely mechanical rule that common stocks in which transactions amounted to 500,000 shares or more during the preceding calendar year are added to the list automatically at the time of our annual revision, while issues in which the volume of transactions fell below 100,000 shares are dropped from the list. All stocks, regardless of the size of the issuing company, are accorded equal weight in the Index.

An experience of eleven years in computing the Index, and watching its behavior, has amply confirmed the wisdom of this procedure; since it has served throughout the period to keep the Index highly representative of the market as a whole, and has at all times caused it to cover more than 90 per cent of the total volume of transactions in all common stocks listed on the New York Stock Exchange.

Periodic revisions in the number, character and grouping of issues included in the list are essential to keeping the Index abreast with evolutionary changes in business as mirrored in the stock market. During a protracted period of rising prosperity such as now seems to be in prospect, many ephemeral enterprises spring into the speculative limelight and their stocks, by sheer force of activity, have to be included in the Price Index if it is to remain representative of the market as a whole during the boom phase. Not a few of such companies, however, are high cost producers or supply nonessentials which go begging in times of major business depression. In consequence of this, their earnings fall off precipitously and many pass into receivership or even bankruptcy; so that their stocks fall into disfavor among investors during the progress of, and convalescence from, a major bear market such as we have passed through since 1929. Hence, they must be removed from an index designed to present a

## THE MAGAZINE OF WALL STREET'S COMMON STOCK PRICE INDEX

### Secular Movements

Group	1926-9 High	1930-5 Low	1932-6 High	1935 Close	1936 Close
COMBINED AVERAGE.....	173.1	17.5	106.0	78.4	106.0
Agricultural Implements.....	655.5	17.9	204.6	113.4	204.6
Amusements.....	272.0	7.3	68.6	41.6	68.6
Automobile Accessories.....	212.6	10.7	143.5	116.9	128.1
Automobiles.....	124.9	5.8	24.9	17.7	23.3
Aviation ('27-100).....	307.1	16.2	156.8	108.2	156.8
Baking ('26-100).....	100.0	4.8	26.5	14.7	21.8
Bottles & Corks ('32-100).....	86.8	500.9	318.6	456.6	456.6
Business Machines.....	385.8	29.6	262.0	209.9	262.0
Cans.....	273.5	51.0	316.6	287.4	237.5
Chemicals.....	363.9	53.6	238.2	195.6	228.7
Construction.....	145.4	9.9	73.8	42.8	73.4
Copper.....	391.5	14.9	166.4	87.9	165.9
Dairy Products.....	146.0	23.0	57.8	39.3	41.0
Department Stores.....	100.0	4.5	41.8	23.5	36.0
Drugs and Toilet Articles.....	201.9	35.1	100.1	85.8	92.1
Finance Companies.....	213.9	23.7	441.1	231.8	388.4
Food Brands.....	140.4	28.3	75.2	62.0	66.0
Food Stores.....	244.1	33.9	77.5	47.1	51.4
Furniture and Floor Covering.....	209.3	11.7	103.2	65.7	103.2
Gold and Platinum.....	587.0	189.0	1372.0	1116.0	1149.1
Investment Trusts.....	406.2	9.5	51.0	38.3	49.2
Liquor ('32-100).....	.....	85.0	360.0	223.8	284.8
Machinery.....	298.5	28.7	189.5	139.0	189.5
Mail Order.....	426.5	7.7	107.4	65.9	89.6
Meat Packing.....	104.4	15.6	120.3	62.4	79.6
Metal Mining and Smelting.....	273.0	19.3	232.5	169.5	232.5
Paper.....	208.1	1.6	23.4	6.9	19.0
Petroleum.....	182.6	21.6	142.8	97.2	142.8
Public Utilities.....	388.4	23.0	104.0	67.2	96.6
Radio ('27-100).....	321.1	6.2	35.4	31.5	28.4
Railroad Equipment.....	136.1	12.0	100.4	55.7	100.4
Railroads.....	169.5	10.4	63.0	27.3	37.2
Realty.....	177.4	5.2	27.1	16.1	25.6
Shipbuilding.....	113.4	28.5	87.6	76.4	76.0
Steel and Iron.....	173.4	11.7	124.5	88.1	124.5
Sugar.....	116.1	3.8	45.3	30.4	43.9
Sulphur.....	386.9	53.9	216.5	153.6	159.9
Telephone and Telegraph.....	252.3	21.0	97.4	77.5	81.5
Textiles.....	128.5	16.1	83.5	70.5	77.1
Tires and Rubber.....	114.3	2.5	20.9	10.6	20.9
Tobacco.....	195.0	40.8	101.8	95.5	94.1
Traction.....	140.4	17.9	85.4	72.1	65.1
Variety Stores.....	138.8	23.3	369.2	259.5	333.8
x-Carbon and Natural Gas ('30-100).....	.....	28.3	291.4	215.2	265.6
x-Household Equipment.....	110.8	9.6	59.2	46.8	59.2

x-Not published regularly. (1925 Cl.-100, unless otherwise stated)

true cross section of the price movement in active stocks.

This explains why the Index expanded from 238 component issues in 1926, when it was first presented to our readers, up to a maximum of 428 stocks in 1930, then contracted to 280 issues in 1933, and has now risen to 330 for the current year. Roughly speaking, it will be found that the number of stocks which go into the Index rises and falls with the total volume of transactions on the New York Stock Exchange; but with a one-year time lag, arising from the circumstances that the Index is revised but once a year.

In revising the list of stocks to be included in the 1937 Index, only 3 issues had to be dropped from last year's tabulation—on account of mergers, or through lack of public interest as reflected in a shrunken volume of transactions. On the other hand, because of new listings, or due to greater public participation in certain stocks of older companies, 38 additional issues were sufficiently active last year to compel inclusion this year under our automatic volume standard; so that the 1937 Index will be composed of 330 stocks, compared with only 295 throughout 1936.

### Group Changes

Last year, the Combined Average was divided into 45 sub-groups, 43 of which were published regularly. The remaining two, though computed weekly, were crowded out of our usually published tables owing to lack of space; but are included in the tabulation of secular movements which accompanies the present article. This year the same groups are continued; but "Household Equipment," through loss of two component issues, has been relegated to the "Not published regularly" department, and its place taken by a new group, "Paper." These changes will have no effect upon the continuity of the Combined Average.

By way of anticipating a rather frequent inquiry from our readers it should be noted that, while the Combined Average is in fact made up of 330 stocks this year, you will obtain only 306 by adding the number of issues in sub-groups published regularly. (Please turn to page 519)

## THE MAGAZINE OF WALL STREET'S Common Stock Price Index 1937 Grouping of the 330 Component Issues

### A. Groups Published Regularly

#### 5—AGRICULTURAL IMPLEMENTS

Case  
Deere  
Int. Harvester  
Minn.-Mol. Pr. Imp.  
Oliver Farm Equip.

#### 6—AMUSEMENTS

Loew's  
Paramount  
Pathe  
R. K. O.  
20th Century  
Warner Bros.

#### 16—AUTOMOBILE ACCESSORIES

Bendix  
Bohn Al.  
Borg-Warner  
Briggs Mfgs.  
Budd Mfg.  
Budd Wheel  
Cont. Motors  
Eaton Axle  
Elec. Auto-Lite  
Hayes Body  
Houd.-Hershey "B"  
Motor Wheel  
Muney  
Stewart-Warner  
Thermoid  
Timken Detroit Axle

#### 13—AUTOMOBILES

Auburn  
Chrysler  
General  
Graham-Paige  
Hudson  
Hupp  
Mack  
Nash-Kelvinator  
Packard  
Reo  
Studebaker  
White  
Yellow Truck

#### 8—AVIATION

Aviation Corp.  
Boeing  
Curtiss-Wright  
Douglas  
No. Am. Aviation  
Transcont. & Western  
United Aircraft  
United Airlines

#### 3—BAKING

Cont. Baking "B"  
Gen. Baking  
Purity

#### 2—BOTTLES & CORKS

Crown Cork  
Owens-Ill. Glass

#### 3—BUSINESS MACHINES

Burroughs  
Nat. Cash  
Rem.-Rand  
2—CANS  
Am. Can  
Cont. Can

#### 10—CHEMICALS

Allied Chem.  
Am. Com. Alc.  
Com. Solvents  
du Pont  
Liquid Carbonic  
Mathieson Alk.  
Tenn. Corp.  
Union C. & C.  
U. S. Indus. Alc.  
Va.-Car. Chem.

#### 15—CONSTRUCTION

Am. Encaustic Til.  
Am. Radiator  
Bar-er Co.  
Bucyrus-Erie  
Byers  
Certa-teed  
Johns-Manville  
Lone Star Cement  
Otis Elevator  
Penn-Dixie Cement  
Plitts, Screw  
Thompson-Starrett  
U. S. Pipe  
Walworth  
Warren Bros.

#### 10—COPPER

Anaconda  
Bridgeport Brass  
Calumet & Hecla  
Gen. Cable  
Granby  
Inspiration  
Kennecott  
Miami  
Mother Lode  
Phelps-Dodge

#### 2—DAIRY

Borden  
Nat. Dairy

#### 10—DEPARTMENT STORES

Allied Sts.  
Ass. Dry Goods  
Best  
City Sts.  
Gimbel  
Macy  
Marshall Field  
May  
Nat. Dept. Sts.  
Penney

#### 8—DRUGS & TOILET ARTICLES

Colt  
Gillette  
Lambert  
McKesson  
Sharp & Dohme  
United Drug  
Vadco  
Zonite

#### 2—FINANCE COS.

Com. Credit  
Com. Invest. Trust

#### 7—FOOD BRANDS

Calif. Packing  
Corn Prods.  
Gen. Foods  
Hecker  
Loft  
Nat. Biscuit  
Stand. Brands

#### 4—FOOD STORES

First Nat.  
Kroger  
Nat. Tea  
Safeway

#### 3—FURNITURE

Congoleum  
Simmons  
Spiegel

#### 4—GOLD & PLATINUM

Alaska Juneau  
Dome Mines  
McIntyre Porcupine  
So. Am. Gold & Plat.

#### 5—INVESTMENT TRUSTS

Adams Express  
Am. International  
Lehman  
Transamerica  
Tri-Continental

#### 3—LIQUOR

Distillers Seagram  
Nat. Distillers  
Schenley

#### 9—MACHINERY

Allis-Chalmers  
Am. Mach. & Fndry.  
Caterpillar  
Ecans Prods.  
Foster Wheeler  
Gen. Elec.  
Timken Roller Bear.  
Westinghouse Mfg.  
Worthington Pump

#### 2—MAIL ORDER

Montgomery Ward  
Sears, Roebuck

#### 4—MEAT PACKING

Armour, Ill.  
Gobel  
Swift & Co.  
Wilson

#### 14—METAL MINING & SMELTING

Am. Metals  
Am. Smelt. & Ref.  
Am. Zinc & Lead

#### Butte Cop. & Zinc

Callahan Zinc  
Cerro de Pasco  
Howe Sound  
Int. Nickel  
Park Utah  
Patino Mines  
St. Jo. Lead  
Silver King  
U. S. Smelt.  
Vanadium

#### 2—PAPER

Crown Zellerbach  
Int. Paper & Pr. "C"  
West. Md.

#### 24—PETROLEUM

Amerade  
Atlantic Ref.  
Barnsdall  
Cons. Oil  
Cont. Oil  
Houston Oil  
Mid-Cont.  
Ohio  
Phillips  
Pierce Pet.  
Plymouth  
Pure Oil  
Seaboard Oil  
Shell Union  
Simms  
Socony  
S. O. Calif.  
S. O. Ind.  
S. O. N. J.  
Superior Oil  
Texas Corp.  
Tex. Pac. C. & O.  
Tide.-Ass.  
Union Oil

#### 18—PUBLIC UTILITIES

Am. & For. Pr.  
Am. Pr. & Lt.  
Am. W. W.  
Col. Gas & Elec.  
Com. & Southern  
Cons. Edison  
Elec. Pr. & Lt.  
Int. Hyd. "A"  
Nat. Pr. & Lt.  
North American  
Pac. Gas & Elec.  
Pac. Lighting  
Pub. Serv. N. J.  
So. Calif. Edison  
Stand. Gas & Elec.  
Stone & Webster  
United Gas Imp.  
Utilities Pr. & Lt. "A"

#### 4—RADIO

Elec. & Mus. Ind.  
Radio Corp.  
Sparks-With.  
Zenith

#### 9—RAILROAD EQUIPMENT

Am. Car & Fndry.  
Am. Loco.  
Am. Stl. Fndries.  
Baldwin  
Gen. Am. Trans.  
Gen. Ry. Sig.  
Pressed Stl. Car  
Pullman  
West. Air Brakes

#### 24—RAILROADS

Atchafson  
Atlantic Coast  
B. & O.  
Canadian Pac.  
C. & O.  
Chic., Mil. St. P.  
Chic. & N. W.  
D. & H.  
D., L. & W.

#### 2—CARBON & NATURAL GAS

Columbian Carbon  
United Carbon

#### 3—HOUSEHOLD EQUIPMENT

Colgate-Palm.-Peet  
Proc. er & Gamble  
Serval

#### 19—UNCLASSIFIED

Am. Hide & Leather  
Am. Ice  
Am. Type Founders  
Canada Dry

#### 8. Groups Not Published Regularly

Container  
Cont. Ins.  
Curtis Pub.  
Eastman Kodak  
Glidden  
Goebel Brewing  
Greyhound  
Hollander  
Libbey-Owens  
Marine-Midland  
Parmelee  
Phila. & Rds. C. & I.  
Shattuck  
Tex. Pac. Lnd. Trust  
United Fruit

#### Erie

Grt. Nor. Pfd.  
Ill. Cent.  
Lehigh Valley  
L. & N.  
M-K-T.  
N. Y. Central  
N. Y., N. H. & H.  
Nor. Pac.  
Pennsylvania  
Seaboard Air Line  
So. Pac.  
So. Ry.  
U. P.  
West. Md.

#### 3—REALTY

Gen. Realty  
N. Y. Investors  
U. S. Realty

#### 4—SHIPBUILDING

Elec. Boat  
Newport Industries  
N. Y. Shipbuilding  
Sperry

#### 12—STEEL & IRON

Am. Roll. Mill  
Bethlehem  
Blaw-Knox  
Colo. Fuel & Iron  
Interlake Iron  
Ludlum  
Nat. Stl.  
Otis Stl.  
Republic Stl.  
Sharon  
U. S. Steel  
Youngstown S. & T.

#### 6—SUGAR

Am. Crystal  
Am. Sugar Ref.  
Cuban-Am.  
Fajardo  
Gt. West.  
So. Porto-Rico

#### 2—SULPHUR

Freeport  
Tex. Gulf

#### 3—TELEPHONE & TELEGRAPH

Am. Tel. & Tel.  
Int. Tel. & Tel.  
West. Union

#### 8—TEXTILES

Am. Woolen  
Belding  
Celanese  
Collins & Aik.  
Cons. Textile  
Gotham  
Indus. Rayon  
Kayser

#### 4—TIRES & RUBBER

Firestone  
Goodrich  
Goodyear  
U. S. Rubber

#### 4—TOBACCO

Am. Tob. "B"  
Lig. & Myers "B"  
Loftland  
Reynolds Tob. "B"

#### 5—TRACTION

B. M. T.  
B. O. T.  
I. R. T.  
Man. Mod. Gtd.  
Omibus

#### 4—VARIETY STORES

Kresge (S. S.)  
McCrary  
McLellan  
Woolworth

# Taking the Pulse of Business

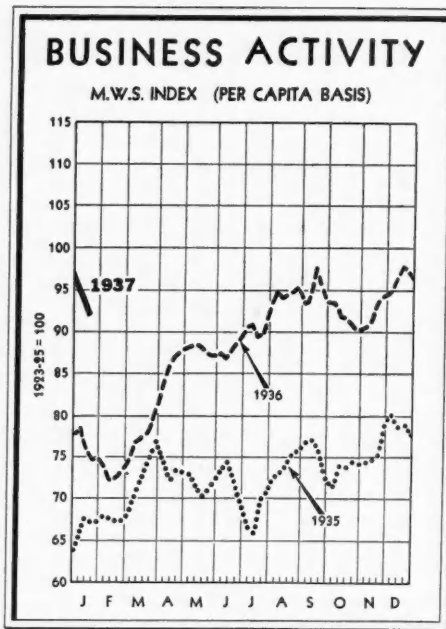
## THE BUSINESS ANALYST

- Strong Motor Demand
- Steel Output Rises
- Building Gains Maintained
- Rail Prospect Clouded

**D**URING the first half of January the country's total volume of production and shipments, adjusted for seasonal variation and for growth in population, has dropped rather sharply to around 92.5% of the 1923-5 average. Strikes and bad weather in scattered localities have curtailed lumber shipments, and have prevented a normal seasonal pick-up in automobile assembling and retail trade, and in the production of steel and coal. Other important industries, however, are expanding operations in gratifying manner, considering the time of year, so that the total volume of new wealth that is being produced just now surpasses the like period of 1936 by about 22%. For December, the Index of per capita Business Activity averaged 96.6% of the 1923-5 average—23% higher than for December, 1935. For the fourth quarter, the Index averaged 93.5%, which was fractionally better than the third quarter and 23% ahead of the final three months of 1935. For 1936 as a whole the average business level, on a per capita basis, was 87.4% of 1923-5, and 21% better than in 1935.

While recent reports from the capital goods field augur well for further business improvement this year, the nearby outlook remains clouded by threats of further labor disturbances and by an unstable speculative situation in basic commodities with an international market. As compared with the corresponding period of 1935, new corporate capital raised through flotation of securities in December staged an increase of more than 100%, and so did machine tool orders, which were 40% above

the best 1929 month and 12% larger than the all time record high made in January, 1920. December's increase of 76% over November came as a surprise to the industry which feared that the new undistributed profits tax might curtail business; but whatever influence this



may have had otherwise appears to have been more than counteracted by prospects of a nearby advance in the prices of machine tools and difficulties in obtaining prompt deliveries.

Thus far the strike at accessory plants and at the General Motors

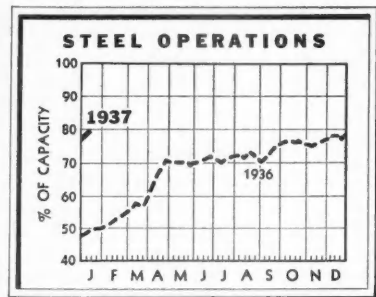
Company has caused only a slight recession in the country's total volume of automobile production, since other makers have benefited by a diversion of business and have stepped up their output accordingly. Fundamentally the automobile and parts industries are in strong position, as evidenced by figures recently released by General Motors (the company hardest hit by labor trouble) showing that sales of new cars to consumers in December were more than 40% ahead of the like month in 1935, while stocks of new cars in dealers' hands declined about 2.5% during the year. This sustained demand for new cars should expedite settlement of the particular dispute now involved, especially since present tactics of the C. I. O. are being opposed by the A. F. of L. and by a large body of unorganized workers; but similar trouble is likely to break out elsewhere from time to time. The "sit-down" and "stay-in" form of strike, a weapon copied from the communist element in France, enables an irresponsible minority to stop production and cause widespread unemployment even in situations where the great majority of workers is content, and threatens to cause a great deal of trouble in an economy such as ours where industry is so highly integrated that a stoppage at one point quickly throws related lines out of gear. Such obstructive tactics are wholly foreign and out of place in a democracy such as the United States, where majorities rule, and strong measures should be adopted to check the spread of this cancer before it undermines the entire business structure.

Rising production of copper abroad, and strikes at home which are easing the pressure for prompt deliveries, appear to have halted for the time being an unhealthy speculation in basic metals, and it is possible that the reaction in Raw Material Prices which has recently put in an appearance may extend far enough to cause withholding of orders by industrial consumers and so permit some building up of inventories in producers' hands. At present writing stocks of wheat and corn on the nation's farms are at the lowest level in 11 years, while inventories of copper and zinc in this country are also rather dangerously low.

Believing that reserve requirements are likely to be raised within a few weeks, dealers have recently advanced interest rates on bankers' acceptances, and some resulting hesitation is noticeable in quotations for high grade, long term bonds and a little softness in Governments.

### The Trend of Major Industries

**STEEL**—Steel ingot output of 13,314,058 gross tons for the final quarter of 1936 was the largest for any three-month period since the third quarter of 1929 and the biggest total fourth-quarter tonnage in history. Last year's output of 46,919,362 gross tons, averaging 68.52% of capacity, was 40% ahead of 1935. In spite of stopped shipments to consumers suffering from labor trouble, accumulation of inventories by other customers as insurance against a spread of C. I. O. activities to the steel industry, has

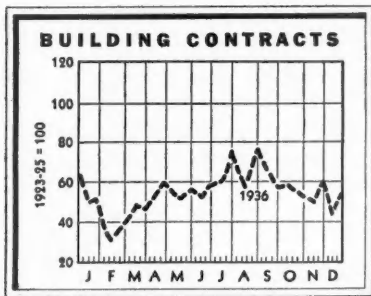


recently caused the ingot rate to reach a new high for the recovery. Some mills are also producing automobile steel for stock in order to make prompt deliveries when strikes are settled. Confidence in a further

increased demand is reflected in plans by the U. S. Steel Corp. to spend \$60,000,000 on modernizing its Carnegie-Illinois plant.

**REFRACTORIES** — Leading makers of refractory brick are benefiting by expanding steel mill operations, and bookings last month were exceptionally heavy in anticipation of the 10% price mark-up which was announced around the first of January.

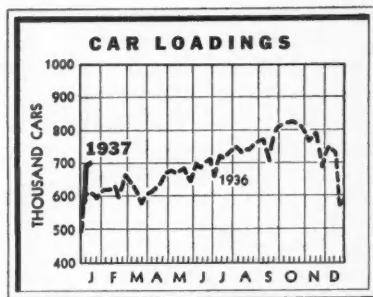
**CONSTRUCTION** — Construction contracts awarded last year in 37 states east of the Rockies amounted to \$2,675,296,000, an increase of 45% over 1935. Awards for residential construction totaled \$801,623,800, a gain of 67%. For December, residential contracts were up 45% over the corresponding month of 1935; though total awards were down 24%, owing chiefly to tapering off in public projects. In spite of rising costs for labor and material, the F H A plans next year to erect 1,000 demonstration homes,



costing from \$2,500 to \$3,500 each, to meet the widespread need of owners with incomes ranging from \$1,200 to \$2,500 a year. With a number of cities already reporting housing shortages, rents have recovered about half of their decline during the depression and promise within a few years to present a very real problem to the average worker. Of course low interest rates are at present helping to offset rising construction costs; but, if workers in the building trade win their demands for a six-hour day at eight hours' pay, the country may be faced before long with a serious housing crisis.

**OIL**—In spite of a 5% rise in crude output during the past month, stocks of oil above ground remain

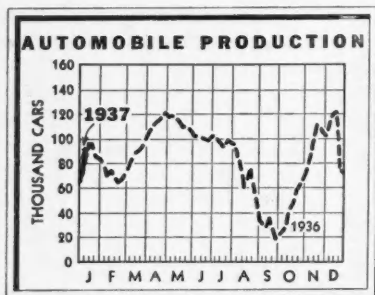
practically stationary and, with a sharp drop in imports consequent to the strike in Venezuela and complete cessation of Atlantic Coast receipts of oil from California, some large purchasers of Mid-Continent crude are agitating for a further increase in the Texas allowable. Many of the independent high-cost producers of crude are becoming indignant over the delay by influential purchasers in countenancing a general price advance which might prove embarrassing to refiners in view of the rather topheavy statistical position of gasoline. Stocks of fuel oil are receding at a rather alarming rate and, to meet a rapidly expanding demand, refiners have had to build up stocks of motor fuel to a level now 14% above last year in spite of the unseasonably heavy consumption occasioned by an unusually open winter.



**RAILS** — Although car loadings are currently running about 13% ahead of a year ago, this group has joined but half-heartedly in the recent market strength; since it is estimated that the carriers must have an increase of 10% to 15% in gross this year to merely make up for elimination of the emergency surcharges and the \$80,000,000 increase in annual wages soon to be demanded by the railroad brotherhoods. The latter item amounts to 12% of last year's net operating income, and about half the net income after charges. With the New Haven as a "horrible example," the ICC would like authority from Congress to supervise rail investments in the future.

**METALS** — A further bulge in foreign quotations since our last issue forced an advance to 13c in the domestic price of copper. Shortly after, the foreign cartel removed all

restrictions on output and, at present writing, prices for the red metal abroad are off rather sharply on selling by speculators. In this country the official price still holds at 13c, though futures and scrap are quoted at concessions. At the end of December, domestic stocks of copper



were 27% under the previous year's level and the lowest since 1928. Stocks elsewhere, however, are increasing and, within two or three months when the new production gets into full swing, may reach such proportions as to depress prices or necessitate a resumption of output control—especially if peace prospects should improve abroad. These foreign developments, along with labor troubles at home, render it likely that the price advance in this metal has been checked for a while; though no major reaction of long duration is looked for in view of growing demand for this and other non-ferrous metals by the utilities and other large industries. It is estimated that unrestricted production of copper abroad may lead to a monthly output of around 100,000 pounds, against current consumption of 96,000. This is not a large excess, provided the so-called "consumption" is mostly used for industrial purposes and not going into armaments or the hands of speculators; but, whatever happens to prices abroad, we are pretty well insulated by the 4c import duty and expanding domestic consump-

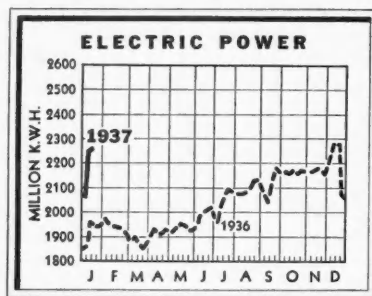
tion. Domestic zinc consumption last year exceeded that of 1935 by 21.3%, and current stocks on hand amount to only a month's supply.

**AUTOMOBILES**—In spite of strikes at the General Motors plants and in feeder industries, motor car production at present writing is only a little under last year's volume; and output should pick up rapidly and make up deficiencies after these difficulties are ironed out, since dealer sales are running well ahead of last year. Fundamentally, the industry is being favored strongly by weather conditions in which this year's open winter contrasts conspicuously with last year's sleet and floods. It is thus fairly safe to predict that the first quarter's output this year will run well ahead of that for the initial period of 1936, though strikes and higher material costs will preclude a proportionate gain in profits for makers of cars and accessories, particularly in the instance of plants afflicted by strikes.

**MERCHANDISING**—For December, department store sales were ahead of the corresponding month in 1935 by about 11% in dollar value; but only 6% in unit volume, owing to higher retail prices. Measured in dollars, total sales for 1936 increased 12% over 1935. Compared with the corresponding periods

of 1935, rural sales were up 19.5% for December, against only 15.5% for the year; chain stores gained 17% in December, compared with only 15% for the year; while mail order houses alone reported a 19% increase in December sales. Strikes, Ohio floods, and unseasonal weather elsewhere have recently retarded retail trade in scattered localities; but business is probably merely deferred, since the national income continues to increase faster than the cost of living.

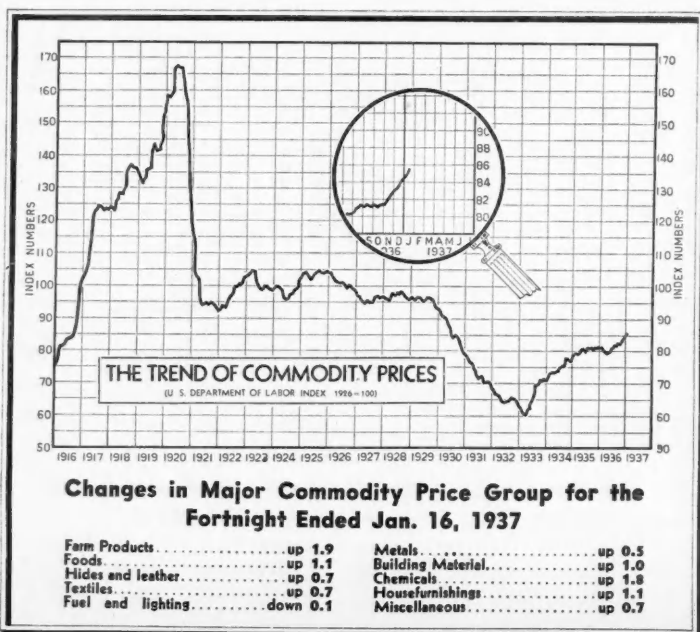
**UTILITIES**—Electric power output is currently running about 15% ahead of a year ago, and the utility industry is at present planning to spend around \$500,000,000 for expansion and improvements this year, an increase of 50% over last year's capital outlay. The recent appoint-



ment by President Roosevelt of a commission to work out a permanent utility policy for the Federal Government has the merit at least of promising to bring the issue to a definite head.

## Conclusion

Developments of the past fortnight—including reactionary tendencies in basic commodity prices, failure to settle labor difficulties in the motor industry, moderate hardening of interest rates and softness in Government bonds—suggest that the recent mild recession in general business may extend somewhat farther; though longer term prospects remain favorable.



# ESSENTIAL STATISTICS

## Finance

## Securities

## Business

### THE MAGAZINE OF WALL STREET'S COMMON STOCK INDEX

1936 Indexes			1937 Indexes				
High	Low	No. of Issues (1925 Close—100)	High	Low	Jan. 9	Jan. 16	Jan. 23
106.0	78.4	330	115.3	106.0	110.4	114.6	115.3H
COMBINED AVER.							
204.6	113.4	5 Agricultural Implements...	233.0	204.6	211.4	231.8	233.0H
68.6	39.9	6 Amusements...	72.6	68.6	68.8	71.4	72.6H
143.5	116.8	16 Automobile Accessories...	139.7	128.1	133.7	139.7	138.9
24.9	17.7	13 Automobiles...	27.4	23.3	25.1	27.1	27.4H
156.8	104.3	8 Aviation (1927 Cl.—100)...	172.8	156.8	166.2	171.5	172.8H
23.8	12.6	3 Baking (1926 Cl.—100)...	28.5	21.8	25.1	28.5H	26.4
500.9	318.6	2 Bots. & Cks. ('32 Cl.—100)...	507.7	456.6	457.5	491.3	507.7H
262.0	202.8	3 Business Machines...	284.5	262.0	267.5	276.6	284.5H
287.4	216.2	2 Cans...	242.8	229.6	242.8	237.1	229.6
237.1	187.5	10 Chemicals...	244.2	228.7	234.2	244.2H	240.8
73.8	42.8	15 Construction...	85.2	73.4	76.8	79.4	85.2H
166.4	87.9	10 Copper & Brass...	197.6	165.9	183.7	197.6H	190.8
47.8	39.3	2 Dairy Products...	41.6	40.7	41.3	41.6	40.7
41.8	23.3	10 Department Stores...	37.0	36.0	37.0	36.9	36.6
100.1	72.8	8 Drugs & Toilet Articles...	107.7	92.1	97.5	102.6	107.7H
441.1	227.2	2 Finance Companies...	388.4	380.2	386.1	382.2	380.2
70.1	60.9	7 Food Brands...	70.2	65.6	66.1	70.2	70.0
56.6	41.4	4 Food Stores...	53.2	51.4	51.4	53.2	52.6
103.2	65.7	3 Furniture...	113.3	103.2	108.7	111.2	113.3H
1296.9	1116.0	4 Gold & Platinum Mining...	1185.8	1149.1	1165.2	1185.8	1184.7
51.0	36.6	5 Investment Trusts...	53.3	49.2	51.5	53.2	53.3H
341.6	265.2	3 Liquor (1932 Cl.—100)...	289.0	284.8	289.0	288.7	286.8
189.5	134.7	9 Machinery...	209.8	189.5	196.7	202.6	209.8H
107.4	61.3	2 Mail Order...	92.4	89.6	90.0	92.4	90.8
83.9	59.4	4 Meat Packing...	90.5	79.6	84.4	85.9	90.5
232.5	159.5	14 Metal Mining & Smelting...	256.2	232.5	240.7	256.2H	252.1
23.4	6.0	2 Paper...	23.5	19.0	19.2	21.5	23.5H
142.8	97.2	24 Petroleum & Natural Gas...	151.4	142.8	146.2	147.2	151.4H
96.6	67.2	18 Public Utilities...	114.9	96.6	105.0	114.9H	111.9
35.4	26.7	4 Radio (1927 Cl.—100)...	30.6	28.2	28.2	30.6	29.7
100.4	52.5	9 Railroad Equipment...	105.8	100.4	103.5	104.6	105.8H
39.8	27.3	24 Railroads...	39.7	37.2	37.8	39.7	39.3
27.1	13.4	3 Realty...	28.5	25.6	28.0	26.8	28.5H
87.6	62.7	4 Shipbuilding...	84.6	76.0	82.5	84.5	84.6
124.5	85.2	12 Steel & Iron...	131.3	124.5	127.2	130.4	131.3H
45.3	29.8	6 Sugar...	45.2	43.8	45.2	44.5	43.8
175.6	142.5	2 Sulphur...	171.2	159.9	165.7	171.2	168.9
97.4	76.6	3 Telephone & Telegraph...	85.2	81.5	84.0	85.2	84.8
83.5	62.0	8 Textiles...	87.7	77.1	81.4	85.4	87.7H
20.9	10.6	4 Tires & Rubber...	22.4	20.5	20.5	22.0	22.4H
100.2	87.2	4 Tobacco...	96.2	94.1	96.0	94.1	96.2
76.2	61.0	5 Traction...	71.9	65.1	67.0	70.6	71.9
369.2	233.5	4 Variety Stores...	333.8	322.8	333.8	324.8	322.8

H—New HIGH record since 1931.

### DAILY INDEXES OF SECURITIES

	N. Y. Times	Dow-Jones Avgs.	N. Y. Times	
	40 Bonds	30 Indus.	50 Stocks	Sales
Monday, Jan. 11	90.68	183.26	55.46	140.37
Tuesday, Jan. 12	90.60	183.30	55.37	140.52
Wednesday, Jan. 13	90.60	183.01	55.65	140.09
Thursday, Jan. 14	90.53	183.71	55.43	140.12
Friday, Jan. 15	90.57	184.53	55.66	140.22
Saturday, Jan. 16	90.74	185.73	56.31	140.43
Monday, Jan. 18	90.69	184.95	55.86	140.98
Tuesday, Jan. 19	90.47	184.02	56.00	140.50
Wednesday, Jan. 20	90.51	185.96	56.44	141.24
Thursday, Jan. 21	90.60	186.90	56.69	141.69
Friday, Jan. 22	90.53	186.53	56.08	141.56
Saturday, Jan. 23	90.54	186.69	56.06	140.65

### STOCK MARKET VOLUME

Week Ended Jan. 23	Week Ended Jan. 16	Week Ended Jan. 9
15,541,930	17,590,945	13,019,805
Total Transactions	Same Date	Same Date
Year to Jan. 23	1936	1935
46,843,340	52,886,635	17,190,882

Note: Latest figures compiled as of Jan. 25. (b)—1,000 Gross tons. (C)—Iron Age. (d)—F. W. Dodge—37 states. (F)—Dun & Bradstreet. (G)—U. S. Labor Bureau '23-25—100. \*—000 omitted. †—000,000 omitted. \*—Iron Age Composite. ‡—Week ended Jan. 21. Oc—October. Nv—November. De—December.

### MONEY RATES

	Latest Week	Previous Week	Year Ago
Time Money (90-day).....	1¼%	1¼%	1%
Prime Commercial Paper.....	¾@1%	¾@1%	¾@1%
Call Money.....	1%	1%	¾%
Re-discount Rate.....	1½%	1½%	1½%

### CREDIT

Bank Clearings, N. Y.†.....	\$4,189	\$3,760	\$3,858
Bank Clearings (outside N. Y.)†.....	2,374	2,187	1,962
Brokers' Loans, F. R.†.....	1,018	1,021	954
Brokers' Loans, N. Y. S. E.†.....	Jan. 1	Dec. 1	Last Year
New Corporate Financing†.....	531De	197Nv	150

### COMMODITY PRICES

	Latest Week	Previous Week	Year Ago
Finished Steel*, c per lb.....	2.33	2.33	2.13
Pig Iron*, \$ per ton.....	20.25	20.25	18.84
Steel Scrap*, \$ per ton.....	18.42	18.17	13.58
Copper, \$ per lb.....	.13	.13	.09½
Lead, \$ per lb.....	.06	.06	.045
Zinc, \$ per lb.....	.06	.06	.0485
Tin, \$ per lb.....	.5095	.5155	.46¾
Rubber, \$ per lb.....	.20½	.22	.15
Crude Oil (Mid-Cont.), \$ per barrel.....	1.10-1.27	1.10-1.27	1.10
Sugar, raw, \$ per lb.....	.0381	.0396	.0335
Silk, raw, \$ per lb.....	2.02	2.09	1.92½
Wool, raw, \$ per lb.....	1.12-1.15	1.12-1.15	.88
Wheat, Price, May, \$ per bu.....	1.28½	1.32¼	1.01¾
Cotton Price, Mar., \$ per lb.....	.1247	.1247	.1141
Corn Price, May, \$ per bu.....	1.06	1.08¼	.60¾

### KEY INDUSTRIES

	Dec.	Nov.	Year Ago
Steel Ingot Prod. (b) (tons)...	4,432	4,337	3,073
U. S. Steel Corp. Shipments (b) (tons)...	1,067.4	882.6	661.5
Pig Iron Production (b) (tons)...	3,095	2,947	2,106
Operating Rate, % Capacity.....	81.0½	79.5	51.0
Auto Production.....	394,890	224,628	395,059
Bldg. Contract Awards (d)*...	\$199,695	\$208,204	\$264,136
Residential Bldg. (d)*.....	65,487	68,441	45,140
Cement Shipments* (bbls.)...	8,962Nv	13,089Oc	5,976
Coal Production (tons) Btl. (b)...	44,487	41,588	35,388
Cotton Consumption (bales)*...	693	627	500
Mach. Tool Orders, '26—100%.....	260.0	147.1	98.3

	Latest Week	Previous Week	Year Ago
Oil Prod., daily aver. (bbls.)*	3,184	3,117	2,833
Stocks of Gasoline and Fuel Oil* (bbls.).....	66,559	65,402	59,821
Elec. Pwr. Output (kwh)†.....	2,264	2,244	1,949

### TRANSPORTATION

	Latest Week	Previous Week	Year Ago
Carloadings*.....	700	699	611
Miscellaneous Freight*.....	275	275	230
Merchandise, L.C.L.*.....	161	158	149

### TRADE

	Dec.	Nov.	Year Ago
Dept. Store Sales '23-25—100%.....	92	93	84
Mail Order Sales*.....	\$111,701	\$24,850	\$87,531
Merchandise Imports*.....	196,423Nv	212,464Oc	169,385
Merchandise Exports*.....	225,766Nv	264,740Oc	269,838
Business Failures (F).....	692	688	910

### EMPLOYMENT

	Nov.	Oct.	Year Ago
Factory (G).....	96.6	96.5	88.7
Durable Goods Industries (G).....	90.4	88.9	80.1
Consumers Goods (G).....	103.2	104.7	97.9
Factory Payrolls (G).....	90.1	88.8	75.5

# Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

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## Curtiss Wright Corp.

*Would you say that Curtiss-Wright is one of the most attractive stocks now selling under \$10? I have been holding 200 shares of this stock on margin, but am now thinking of buying it outright if you consider its possibilities sufficiently attractive.—A. M. W., Washington, D. C.*

A vigorous retrenchment program instigated by the Curtiss-Wright management in 1930, is still continuing with the liquidation of six subsidiaries on September 5, 1936. This centralization of plants tends to cut operating expenses thus giving profit margins an opportunity to widen. The most profitable line of operation is the manufacture of engines. The largest amount of total business is derived from the U. S. Government, orders from the Army and Navy accounting for approximately half of total dollar volume in recent years. Therefore, with the current interest apparent in Government circles regarding airplanes, it seems likely that this company will be favored in the future. However, it is also felt that commercial planes will add to future profits. Increased consumer purchasing power is a very definite asset here and it is likely that private plane business will again be an important factor in sales. The company enjoys a very satisfactory trade

position always taking the future into consideration by establishing reserves for developments and experimentation. This has enabled the company to establish itself and remain in the front ranks of the industry. The policy of leaving airlines to others to operate is also reported to be a substantial factor in savings. Unfilled orders are very favorably compared to those of last year, being on October 1, 1936, about \$15,000,000 as compared with \$12,523,000 on March 31. Furthermore, recent negotiations for contracts with the Government and other sources have been very satisfactory. A very substantial improvement in net income was shown for the first nine months of 1936 when \$1,262,132 was reported against a net deficit of \$296,607 reported in the like interval of 1935. The company enjoys a satisfactory financial position and it is expected that dividend disbursements, although not regular, will continue on the class A stock. Pub-

lic sentiment currently is very favorable toward aviation and we feel that with the continuance of this that Curtiss Wright common will be one of the leading issues of the future. Therefore, we feel that commitments may be well maintained at these levels for future appreciation.

## Consolidated Oil Corp.

*Am I right in understanding that the oil companies controlling their sources of supply are in an outstanding position to profit from here on? If so, how is Consolidated Oil situated? I have 200 shares of this stock bought at 12, and any information you give me will be appreciated.—T. O. L., Butte, Montana.*

Because of the keen competitive situation existing in the refinery and marketing divisions of the petroleum business, those companies having large crude oil reserves have been able to show better profit margins over recent years, than companies which have to purchase all or most of their refinery requirements. Prospects continue to favor companies controlling large crude reserves. While consolidated Oil Corp. owns extensive oil lands, the output from these has been insufficient to meet more than about half of refinery needs under existing proration measures. Nevertheless, there has recently been some betterment in the distributing and refining divisions, due to greater demand, while property acquisitions have tended to strengthen the organizations competitive position and augur well for the future. The position of common (Please turn to page 526)

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Basic indices show that a traditional spring rise should soon get fully under way. Favorable factors exist . . . new year re-investment demand, momentum of the recovery, backlog of business already secured . . . and forecast an extension of the upswing. Labor, flood and legislative uncertainties will create periods of recession for the purchase of stocks offering quick and substantial profits.

The longer term outlook is most optimistic. In 1930, industrial averages reached a peak some 60% above the prevailing level. Yet, many industries are operating at their best capacity since 1929. During the coming year, we look for scores of representative issues to attain and exceed their 1929 and 1930 highs.

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# Price Range of Active Stocks

## Industrials and Miscellaneous (Continued)

	1934		1935		1937-36		Last Sale 1/20/37	Div'd \$ Per Share
B	High	Low	High	Low	High	Low		
Bendix Aviation	23 1/2	9 3/4	24 1/2	11 1/8	32 1/2	21 1/2	27 1/2	*1.50
Best & Co.	40	26	57 1/2	34	72	48	59 1/4	*2.50
Bethlehem Steel	49 1/2	24 1/2	52	21 1/2	78 1/4	45 3/4	77 1/2	*1.50
Bohn Aluminum	68 1/2	44 1/2	59 1/2	39 1/2	63 1/4	40 1/2	44 1/2	*3.00
Borden Co.	28 1/4	19 1/2	27 1/2	21	32 1/2	25 1/2	27 1/2	*1.60
Borg-Warner	31 1/2	16 1/2	70 1/2	28 1/4	90 1/4	64	79 1/2	*4.00
Biggs Mfg.	38 1/2	12	55 1/2	24 1/2	64 1/2	43 1/4	56	*2.00
Bristol-Meyers	37 1/2	26	42	30 3/4	50 1/2	41	46	*2.40
Burgess Adding Machine	19 1/2	10 1/2	28	13 1/4	34 1/2	25	33 1/2	*1.60
Byers & Co. (A. M.)	32 1/4	13 3/4	20 1/2	11 1/2	33	16 1/2	32 1/2	....
C								
California Packing	44 1/2	18 3/4	42 1/2	30 1/2	48 3/4	30 1/4	44 1/2	*1.50
Canada Dry Ginger Ale	29 1/2	12 1/2	17 1/2	8 1/2	32 1/2	10 3/4	30 1/2	....
Cas, J. L.	86 1/4	35	111 1/4	45 1/4	186	92 1/2	163 1/4	*14.00
Caterpillar Tractor	38 1/2	23	60	36 1/2	95 1/2	54 1/2	95 1/2	*2.00
Celanese Corp.	44 1/2	17 1/2	35 1/2	19 1/2	32 1/4	21 3/4	29 1/2	*1.50
Cerro de Pasco Copper	44 1/2	30 1/4	65 1/4	38 1/2	75 1/4	47 1/4	69 1/4	*4.00
Cheapeake Corp.	48 1/2	34	61 1/2	36	77 1/2	51	67	*2.80
Chrysler Corp.	60 3/4	29 1/4	93 1/2	31	138 3/4	85 1/2	123 1/2	*12.00
Colgate-Palmolive-Peet	18 1/2	9 1/2	21	13 1/2	21 1/2	13	20 1/2	*.50
Colum. Gas & Electric	19 1/4	6 1/2	15 1/4	3 1/2	23 1/2	14	18 1/4	*1.40
Commercial Credit	40 1/4	18 1/2	58	39 1/2	84 1/4	44	68	*4.00
Comm. Inv. Trust	61	35 1/2	72	56 1/4	91 1/4	55	75 1/4	*4.00
Commercial Solvents	3 1/4	1 1/4	2 3/4	1 1/4	2 1/2	1 1/4	2 1/2	*.60
Congoleum-Naim	35 1/2	22	57	45 1/2	44 1/2	30 1/2	40	*1.60
Consolidated Edison of N. Y.	47 1/2	34 1/4	54 1/2	48 1/2	48 1/2	37 1/4	46	*2.00
Consolidated Oil	14 1/4	7 1/4	12 1/4	6 1/2	17 1/4	11 1/2	16 1/2	*.80
Continental Can	64 1/2	56 1/2	99 1/4	62 1/4	87 1/4	63 1/4	67	*3.00
Continental Insurance	36 1/4	23 1/4	44 1/2	28 1/2	46	25 1/2	41 1/2	*1.60
Continental Oil	22 1/4	15 1/4	35	15 1/4	45 1/4	28 1/4	44	*11.00
Com Products Refining	84 1/2	55 1/2	78 1/2	60	82 1/2	67 1/2	70 1/2	*2.00
Crown Cork & Seal	36 1/4	18 1/4	48 1/2	23 1/2	44 1/2	35 1/2	41 1/2	*2.50
Cudahy Packing	52 1/2	37	47 1/2	35 1/2	44 1/2	35 1/2	41 1/2	*2.50
Cutter-Hammer	21 1/2	11	47	16	86	43 1/4	84	*1.00
D								
Deere & Co.	34 1/2	10 1/2	58 1/4	22 1/4	122	52	120 1/4	....
Diamond Match	28 1/2	21	41	26 1/2	40 1/2	30 1/2	37 1/2	*1.50
Dial Lifters Corp. Seagrams	26 1/2	8 1/2	38 1/2	13 1/2	34 1/2	18 1/4	27 1/2	*2.00
Dome Mines	46 1/4	32	44 1/2	34 1/2	61 1/2	41 1/2	49 1/4	*2.00
Douglas Aircraft	28 1/2	14 1/4	18 1/2	17 1/2	34 1/2	50 1/2	73 1/2	*1.70
Du Pont de Nemours	103 1/2	80	146 1/2	86 1/2	184 1/4	133	178 1/4	*14.70
E								
Eastman Kodak	116 1/2	79	172 1/4	110 1/2	185	156	175	*5.00
Electric Auto Life	31 1/2	15	38 1/2	19 1/2	47 1/2	30 1/4	41 3/4	*11.80
Elec. Power & Light	9 1/2	2 1/4	7 1/2	1 1/2	26 1/2	6 1/2	23 1/2	*2.75
Electric Storage Battery	52	34	58 1/4	39	55 1/4	39 1/2	42 1/2	3.00
Endicott Johnson Corp.	63	45	66	52 1/2	69	53 1/2	56 1/4	....
F								
Fairbanks, Morse	18 1/4	7	39 1/2	17	71 1/2	34 1/4	68 1/4	*1.00
Firestone Tire & Rubber	25 1/4	13 1/2	25 1/2	13 1/2	36 1/4	24 1/2	34 1/2	*1.60
First National Stores	69 1/4	53	58 1/2	44 1/2	58 1/2	40	48 1/2	*2.50
Foster Wheeler	22	8 1/2	30	9 1/2	53 1/2	24 1/2	53 1/2	....
Freaport Sulphur	50 1/2	21 1/2	30 1/2	17 1/4	35 1/2	23 1/2	29 1/2	1.00
G								
General American Transp.	43 1/2	30	48 1/2	32 1/2	78 1/2	42 1/4	78 1/2	*1.87 1/2
General Baking	14 1/2	6 1/2	13 1/2	7 1/2	20	10 1/2	18	*.60
General Electric	25 1/4	16 1/2	40 1/2	20 1/2	61 1/2	34 1/2	61 1/2	*1.00
General Foods	36 1/2	28	37 1/2	30	44	33 1/2	43	*2.00
General Mills	64 1/2	51	72 1/2	59 1/2	70 1/2	58	65	*3.00
General Motors	42	24 1/2	59 1/2	26 1/2	77	53 1/2	68	*13.25
General Railway Signal	45 1/4	23 1/2	41 1/4	15 1/2	63	32 1/2	62 1/2	*1.00
General Refractories	23 1/2	10 1/2	33 1/2	16 1/4	71	33 1/4	68 1/4	*13.25
Gillette Safety Razor	14 1/2	8 1/2	19 1/2	12	18 1/2	13 1/2	18	*1.00
Gillette	28 1/2	15 1/2	49 1/2	23 1/2	55 1/2	39 1/2	46 1/2	*2.00
Goodrich Co. (R. F.)	18	8	14 1/2	7 1/2	35 1/2	13 1/2	33 1/2	*11.00
Goodyear Tire & Rubber	41 1/2	18 1/2	26 1/2	15 1/4	33 1/2	21 1/2	33 1/2	....
Great Western Sugar	35 1/4	25	34 1/2	26 1/2	42 1/4	31	37 1/4	*2.40
H								
Heckens Products	23	16	22	14 1/2	21 1/2	12 1/2	15	*.60
Hercules Powder	81 1/2	59	90	71	170	84	169	*5.25
Hershey Chocolate	73 1/4	48 1/2	81 1/4	73 1/4	80	58 1/2	65 1/4	*3.00
Homestake Mining	430 1/2	310	495	338	544	366	390	*12.00
Hudson Motor Car	24 1/2	6 1/2	17 1/2	6 1/4	22 1/2	13 1/2	20 1/2	....
Hupp Motor Car	7 1/4	1 1/2	3 1/2	1 1/4	3 1/4	1	2 1/2	....
I								
Industrial Rayon	39 1/4	19 1/2	36 1/2	23 1/2	41 1/2	25 1/2	38	*1.68
Ingersoll-Rand	73 1/4	49 1/2	121	60 1/2	147	106	130 1/2	*12.00
International Business Machines	164	131	190 1/2	149 1/4	194	160	186 1/4	*6.00
International Harvester	46 1/2	23 1/4	65 1/2	34 1/2	108 1/2	54 1/2	108 1/2	*2.50
International Nickel	29 1/4	21	47 1/4	22 1/4	66 1/2	43 1/4	63 1/2	*1.30
International Tel. & Tel.	17 1/4	7 1/2	14	5 1/2	19 1/4	11 1/2	13 1/4	....
J								
Jewel Tea Co.	57 1/2	33	67	49	93 1/2	58 1/2	80	*4.00
Johns-Manville	66 1/2	39	99 1/2	38 1/2	155	88	146	*3.00
K								
Kennecott Copper	23 1/2	16	30 1/2	13 1/4	64	28 1/2	60 1/4	*1.70
Kroger Grocery & Baking	33 1/2	23 1/4	32 1/2	22 1/4	28	19 1/2	24	*1.60
L								
Lambert	31 1/4	22 1/4	28 1/2	21 1/4	26 1/4	15 1/2	21 1/4	*2.00
Lehman Corp.	78	68 1/2	95 1/2	67 1/2	129	89	127 1/4	*3.00
Libbey-Owens-Ford	43 1/2	22 1/2	49 1/4	21 1/2	80 1/4	47 1/4	78	*13.50
Lisgett & Myers Tobacco B.	111 1/4	74 1/2	130	94 1/4	115	97	109	....
Loew's	37	20 1/2	55 1/2	31 1/2	76	43	75 1/4	*2.00
Lone Star Cement	37 1/2	18 1/2	36 1/2	22 1/2	61 1/2	35 1/2	59 1/4	*2.00
Loose-Wiles Biscuit	44 1/4	33 1/4	41 1/2	33	45	38 1/4	43	*2.00
Lorillard	22 1/2	15 1/4	26 1/2	18 1/2	26 1/2	21 1/2	24 1/2	*1.20
M								
Mack Truck	41 1/4	22	30 1/2	18 1/2	49 1/2	27 1/2	48 1/2	*1.00
Macy (R. H.)	62 1/2	35 1/4	57 1/2	30 1/2	65 1/4	40 1/2	53 1/4	*2.00

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### Can the Government Hold the Boom Within Bounds?

BY JOHN D. C. WELDON

### Leaders in Expanding Industries

BY MONROE E. MARSHALL

### How Much Profit in Aircraft Manufacture?

BY S. T. CRADDOCK

# New York Stock Exchange Price Range of Active Stocks

## Industrials and Miscellaneous (Continued)

	1934		1935		1937-36		Last Sale 1/20/37	Div'd \$ Per Share
<b>M</b>	High	Low	High	Low	High	Low		
Matheson Alkali.....	40 3/4	23 1/2	33 3/4	23 3/4	42 3/4	27 1/2	40	1.50
May Dept. Stores.....	45 3/4	30	57 3/4	35 1/2	70	43 1/4	60 1/2	*3.00
McIntyre Porcupine.....	50 1/2	30 1/2	45 1/2	33 1/4	49 3/4	38 1/4	40 1/2	*2.00
McKeesport Tin Plate.....	95 1/2	79	131	90 1/2	118 1/2	83 1/2	88 1/2	*13.50
Mesta Machine.....	34 1/4	20 1/2	42 1/2	24 1/2	65	40 1/2	65 1/4	*1.50
Montgomery Ward & Co.....	35 1/2	20	40 1/2	21 1/4	68	35 1/4	57 1/2	*2.00
<b>N</b>								
Nash Kelvinator.....					20 1/4	17 1/2	19 1/2	1.00
National Biscuit.....	49 1/2	25 1/2	36 3/4	22 1/2	38 3/4	28 3/4	32	1.60
National Cash Register.....	23 1/2	12	23 1/2	13 1/2	35 1/2	21 1/2	35	*1.87 1/2
National Dairy Products.....	18 3/4	13	22 1/2	12 1/2	28 1/2	21	24 1/2	11.30
National Distillers.....	31 1/2	16	34 1/2	23 1/2	33 3/4	25 1/2	29	*3.00
National Lead.....					37 1/2	26 3/4	36	*.50
National Power & Light.....	15 1/2	6 1/2	14 3/4	4 1/4	14 1/2	9 1/2	13 1/2	.60
National Steel.....	58 1/4	34 1/2	83 1/2	40 1/2	78	57 1/2	75 1/2	*2.50
N. Y. Air Brake.....	28 1/2	11 1/2	36 1/2	18 1/2	63	35 1/2	61	*2.50
North American.....	25 1/4	10 1/4	28	9	35 1/2	23 1/2	32 1/4	*1.00
<b>O</b>								
Otis Elevator.....	19 3/4	12 1/2	26 1/2	11 1/2	41	24 1/4	41	1.60
<b>P</b>								
Pacific Gas & Electric.....	23 1/2	12 3/4	31 1/2	13 1/4	41	30 3/4	37 1/2	11.62 1/2
Pacific Lighting.....	37	20 1/2	56	19	58 3/4	44 3/4	52 1/4	12.53
Packard Motor Car.....	6 1/2	2 1/4	7 1/2	3 1/2	13 1/2	6 1/2	11 3/4	1.45
Paramount Pictures.....			12	8	28 3/4	7 1/2	27 1/2	.....
Penney (J. C.).....	74 1/4	51 1/2	84 3/4	57 1/4	112 1/2	69	101 1/2	*1.50
Phelps Dodge.....	18 1/2	13 1/4	28 1/2	12 1/2	57 1/2	25 1/2	35 1/2	*1.00
Phillips Petroleum.....	20 3/4	13 1/2	40	13 1/4	52 1/2	38 1/2	51	*1.75
Procter & Gamble.....	44 1/2	33 1/2	53 1/2	42 1/2	65 1/2	40 1/4	64 1/4	*2.00
Public Service of N. J.....	45	25	46 1/2	20 1/2	52 1/2	39	52	*2.60
Pullman.....	59 3/4	35 1/4	52 1/2	29 1/2	70 1/2	36 1/2	69 1/2	1.50
<b>R</b>								
Radio Corp. of America.....	9 1/2	4 1/2	13 1/2	4	14 1/4	9 1/4	12 1/2	.....
Radio-Keith-Orpheum.....	4 1/4	1 1/2	6	1 1/4	10 1/2	5	9	.....
Raybestos-Manhattan.....	23	14 1/2	30 1/4	16 1/2	38 3/4	28 1/2	35	*1.50
Remington Rand.....	13 1/2	6	20 3/4	7	25 1/2	17 1/2	25 1/4	*.60
Republic Steel.....	25 3/4	10 1/2	20 1/4	9	32	16 1/2	31 1/2	*2.00
Reynolds (R. J.) Tob. Cl. B.....	83 1/4	39 3/4	67	55 1/4	60 1/2	50	57 3/4	3.00
<b>S</b>								
Safeway Stores.....	57	38 1/2	46	31 1/2	49 1/2	27	42	*2.00
Schenley Distillers.....	28 1/2	17 1/2	56 1/2	22	55 1/2	37 1/2	45 1/2	*3.00
Sears, Roebuck.....	51 1/4	31	69 1/2	31	101 1/2	59 1/2	86	*2.00
Servel.....	9	4 3/4	17	7 1/2	31 1/2	15 1/2	30	*1.00
Shattuck (F. G.).....	13 1/2	6 1/4	12 1/2	7 1/4	19 1/4	11 1/2	16 1/2	*.48
Shell Union Oil.....	11 1/2	6	16 1/2	5 1/2	29 1/2	14 1/2	28 1/2	*1.25
Socony-Vacuum Corp.....	19 1/2	12 1/2	15 1/4	10 1/2	17 1/2	12 1/2	16 1/2	*1.45
So. Cal. Edison.....	22 1/2	10 1/2	27	10 1/2	32 1/2	23	31 1/2	*1.50
Spiegel Inc.....	76 3/4	64	84	43 1/2	55 1/2	22 1/2	25	1.25
Standard Brands.....	25 1/4	17 1/4	40 1/2	17 1/2	47 1/2	14 1/2	16 1/2	1.00
Standard Oil of Calif.....	42 1/2	26 1/4	41 1/2	27 1/4	47 1/2	35	45 1/4	*1.00
Standard Oil of Ind.....	32 3/4	23 1/4	33 1/2	23	48 1/2	32 1/2	48	*1.00
Standard Oil of N. J.....	50 1/2	29 1/4	52 1/2	30 1/2	70 1/2	51 1/2	69	*1.00
Stearns Products.....	66 1/2	47 1/4	68	58 3/4	78 1/2	65	72 1/2	*2.80
Stewart-Warner.....	10 1/2	4 1/2	18 1/2	6 1/2	24 1/2	16 1/2	19 1/2	*.50
Stone & Webster.....	13 1/4	3 1/2	15 1/2	2 1/2	33 1/2	14 1/2	31 1/2	1.25
<b>T</b>								
Texas Corp.....	29 3/4	19 1/2	30 1/4	16 1/2	55 3/4	28 1/2	51 3/4	*1.00
Texas Gulf Sulphur.....	43 1/4	30	36 3/4	28 3/4	44 3/4	33	40 1/2	*2.00
Tide Water Assoc. Oil.....	14 1/2	8	15 1/2	7 1/2	21 1/2	14 1/4	20 1/2	*1.70
Timken Roller Bearing.....	41	24	72 1/2	28 1/2	74 1/2	56	71 1/2	*3.00
Tri-Continental.....	6 3/4	3	8 1/4	1 1/2	12	7 1/2	10 1/2	1.50
Twentieth Century-Fox.....	25	24 1/2	13	38 1/2	22 1/2	37 1/2	37 1/2	12.00
<b>U</b>								
Underwood-Elliott-Fisher.....	58 1/2	36	87 1/4	53 1/4	102 3/4	74 1/2	95	12.87 1/2
Union Carbide & Carbon.....	50 1/2	35 1/2	75 3/4	44	105 3/4	71 1/2	105	12.60
Union Oil of Cal.....	20 1/2	11 1/2	24	14 1/4	28 1/2	20 1/2	26	1.00
United Aircraft.....	15 1/4	8 1/2	30 3/4	9 1/2	32 1/2	20 1/2	29 1/2	1.50
United Carbon.....	50 3/4	35	78	46	96 1/4	68	85 3/4	*3.00
United Corp.....	8 1/2	5 1/2	13 1/2	5 1/2	19 1/2	14 1/2	17 1/2	1.00
United Corp. Pfd.....	37 1/2	21 1/4	45 1/2	20 3/4	48 1/2	40 1/4	45 3/4	*.50
United Fruit.....	77	59	92 3/4	60 1/2	87	66 1/2	82 1/2	*3.00
United Gas Imp.....	20 1/2	11 1/2	18 1/2	9 1/4	19 1/2	14 1/4	16	1.00
U. S. Gypsum.....	51 1/4	34 1/4	87	40 1/2	126	80 1/2	122	*2.00
U. S. Industrial Alcohol.....	64 3/4	32	50 3/4	35 1/2	59	31 1/4	40 3/4	.....
U. S. Pipe & Fdy.....	33	15 1/2	22 1/2	14 1/4	69 1/4	21 1/2	66 3/4	1.50
U. S. Rubber.....	24	11	17 1/4	9 1/2	55 1/2	16 1/2	54 1/2	.....
U. S. Smelting, Ref. & Mining.....	141	96 3/4	124 1/2	91 1/4	103 3/4	72 1/4	89 1/4	17.00
U. S. Steel.....	59 1/2	29 1/2	50 1/2	27 1/2	87	46 1/2	86 3/4	.....
U. S. Steel Pfd.....	99 1/2	67 1/4	119 1/4	73 1/2	154 1/4	115 1/2	146	67.00
<b>V</b>								
Vanadium.....	31 3/4	14	21 3/4	11 1/4	32 3/4	16 1/4	31 1/4	.....
<b>W</b>								
Warner Brothers Pictures.....	8 1/4	2 3/4	10 3/4	2 1/4	18 3/4	9 1/4	17 1/4	.....
Western Union Tel.....	66 1/2	29 1/2	77 1/4	30 3/4	96 1/4	75 1/2	82 3/4	12.75
Westinghouse Air Brake.....	36	15 1/2	35 1/2	18	50 1/2	34 1/4	49 3/4	*1.00
Westinghouse Elec. & Mfg.....	47 1/4	27 1/2	98 3/4	32 3/4	158 3/4	94 1/2	58 1/2	*13.50
Woolworth.....	55 1/4	41 1/4	65 1/4	51	71	44 1/4	65 1/4	2.40
Worthington Pump & Mach.....	31 1/2	13 1/2	25 1/4	11 1/4	43 1/2	23 1/2	43 1/4	.....

† Dividends are for the latest four quarters. \*Also extra cash or stock. a—Only on account of accumulation. b—Plus payment on arrears.

## The Magazine of Wall Street's Common Stock Price Index

(Continued from page 509)

The missing 24 issues are concealed in the three groups, "Carbon & Natural Gas," "Household Equipment" and "Unclassified," which space limitations prevent us from publishing regularly.

### Computing the Index

In response to many inquiries we present herewith a complete list of issues included in the 1937 Price Index, together with the following brief explanation of how the Index is computed:

Each group index, including the Combined Average, is derived separately, as follows:

First determine the price index of each component issue by finding the percentage ratio of its closing price for the current week to its closing price for the preceding year, then find the unweighted, arithmetic average of these individual indexes. This gives an auxiliary index, called the "current year index." Finally, multiply this current year index by the group's closing index for the previous year, and divide by 100. The result will be the group's "secular index," as published.

The Price Index is compensated, by customary methods, for all stock dividends, split-ups and rights which are valued at 10 per cent or more of the stock's market price immediately after selling "Ex".

### Secular Movements

The accompanying tabulation of secular movements presents a rather interesting epitome of the broad swings of the Combined Average and its component industrial sub-groups from the pinnacle of the boom, down to the depth of depression, and then the subsequent recovery up to last year's close. The two most striking characteristics of this remarkable record are the universality with which stocks succumbed to the great bear market, and the irregularity of such recovery as has since taken place.

(Please turn to next page)

IRB

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If you are looking for large profits, or for a way to recover losses, fill out the coupon below. It will bring you valuable information without cost or obligation.

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We have discovered a stock which we believe to be one of the most attractive speculations listed on the New York Stock Exchange. In fact, this issue promises to be one of the leaders in the next upswing. In our opinion, it is selling much below its prospective value.

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2. The company is in an excellent position to profit from improving business conditions. The business is such that it will benefit greatly from increased public purchasing power.
3. The capitalization of the company is small. Funded debt is only \$350,000. There is no preferred stock and less than 300,000 shares of common. Quotations could advance easily as earnings mount.
4. Both the near-term and the long-term prospects for this stock are favorable. The action of the stock leads us to believe that a good rise is in prospect.

This is one of the most promising issues that we have been able to uncover in a long time. Those who buy this stock should reap good profits.

However, events in the Stock Market move swiftly. Short delays often prove costly. We believe that this issue will not long be available at its present price.

The name of this stock will be sent to you absolutely free. We shall also send you an interesting little book, "MAKING MONEY IN STOCKS." There will be absolutely no charge and no obligation. Just address: INVESTORS RESEARCH BUREAU, INC., DIV. 396, CHIMES BLDG., SYRACUSE, N. Y.

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Measured in percentages, many of the groups which fell hardest during the depression have already staged phenomenal come-backs; but are still considerably below boom levels. At last year's close, the Combined Average had regained a little more than half its loss. Three groups—Finance Cos., Gold & Platinum and Variety Stores—have risen to fresh record altitudes; though the latter is rather anomalous, being attributable to inclusion of McLellan Stores in the group after that company had escaped a threatened reorganization as a result of its almost miraculous come-back. A few industries, notably Automobiles, Baking, Dairy Products, Department Stores, Food Stores, Investment Trusts, Paper, Public Utilities, Radio, Railroads, Realty and Tires, owing largely to excessive competition or Government meddling, have been relatively slow in recovering.

Obviously it will well repay investors to study long range industrial trends and to gauge their commitments accordingly; though there are always individual companies which fare much better or worse than the industry as a whole.

One of the most encouraging lessons to be learned from such a study of secular movements is that New Deal or Old Deal, fresh opportunities for the discerning must continue to open up in the future as they have in the past—so long as there are stocks and bonds to buy and sell.

### **New Corporate Financing Gains Momentum**

*(Continued from page 497)*

the capital requirements of many utilities. It has been unnecessary to refund these issues in many cases as they have been paid off over a period of years out of earnings or by employing depreciation funds for that purpose.

In the industrial field, as in the utility, the maturities for 1937 are relatively small. Considerable refinancing of called issues took place in 1936 but in most instances the companies involved were leading credits. If the market permits, companies whose financial status is not quite so high may attempt to reduce their fixed charges by funding

operations this year. With somewhat more attractive yields they may be able to appeal to the market. Favorable business and no material change in long term interest rates will aid them by increasing the relative attractiveness of their obligations. Apart from refunding operations, both large and small companies in many manufacturing lines will be in the market for new capital. Increasing need for plant expansion and requirements of working capital will no doubt result in a rising volume of new offerings considerably larger than last year.

Of the three divisions, the railroads had the smallest volume of financing in 1936, about one-third of the public utilities'. As maturities for 1937 will be less than the previous year, earnings will determine whether the amount of securities issued will better the 1936 figure.

It is upon earnings that the roads will depend for financing such as the Great Northern achieved in the spring of 1936. If convertible features are to be made the buying attraction, a good showing per share must be made. The problem of good earnings is one with which the Northern Pacific will be faced in calling its Refunding 6s of which \$106,000,000 are outstanding. There are \$60,000,000 New York Central Convertible 6s callable at 102 after May 10, 1937.

Equipment issues which represented about one-fifth of the railroad total will continue to come out in good quantity. Judged by shortages in certain types of cars and the need for more modern power, this will be a growing field for new issues, limited only by the capacity of the individual roads to take on new obligations.

Clouding the outlook for railroad earnings are the elimination of surcharges and labor legislation. While some rate revisions may lead to partial recovery of surcharge revenues—bituminous coal, the principal item bearing proposed increases, is hardly in a position to absorb advances. In our opinion revised rates will bring only a small part of the lost surcharges. General business, however, should contribute enough volume to more than offset rate losses. Earnings for the six months should be somewhat better than the previous year. To that extent continued funding can be looked for.

### **Atlantic Coast Line**

*(Continued from page 505)*

over the corresponding period of 1936. There was an increase of 132.4 per cent in the movement of other forest products. Stone was moved to the extent of 453 cars, an expansion of 100.4 per cent over the corresponding period of the year before. There was a gain of 88.9 per cent in brick and clay products.

It should not be assumed from the foregoing that the Atlantic Coast Line is purely a Florida railroad. This is far from the facts. With more than 5,000 miles of operated lines, it serves the Atlantic seaboard all the way from as far south as Tampa, Florida, to Norfolk and Richmond, from which point it has access to Washington and New York City over connecting lines.

The Atlantic Coast Line is one of the oldest railroads in the United States. Its report for the fiscal year ended December 31, 1936, will be the 103rd document of that kind to be issued. For many years it has been regarded as one of the strongest and most conservatively managed railroads in the United States. For many years, also, its affairs were directed in a broad way by Henry Walters, whose father and some close business associates bought up, after the war, various railroads in the South, which became the nucleus of the Atlantic Coast Line Railroad. The company was originally chartered as the Richmond & Petersburg Railroad Co., March 14, 1836. The name was changed to the Atlantic Coast Line Railroad Co. on April 23, 1900.

For many years, until March 10, 1914, a controlling interest in the Atlantic Coast Line Railroad Co. was owned by the Atlantic Coast Line Co. of Connecticut. On that date 176,400 shares of the 362,306 shares of stock of the railroad company owned by the other corporation, were distributed to the latter's common stockholders as a dividend. At the end of 1935 the holding company still had 216,479 shares of common and 5,609 shares of Class "A" common, or 26.91 per cent of the outstanding amount of these two issues of Atlantic Coast Line Railroad. As it is authoritatively stated

# GROWTH *dictated by* DEMAND

The absolute necessity for electricity and gas services has been no better proved than in the last six years when, in spite of general business conditions, demand for these services has gone steadily forward.

Northern States Power Company (Minnesota) and its subsidiaries, has aided in meeting this demand by supplying efficient and economical utility services without interruption to many of the principal communities in Minnesota, North Dakota and South Dakota and certain communities in western Wisconsin and northern Illinois, having a combined population, as estimated by officers of the company, of 1,300,000.

Despite increased costs and higher taxes, this company has been able to meet the growing demand for its services and to effect certain rate reductions.

It is expected by officers of the company that the communities served by Northern States Power Company (Minnesota) and its subsidiaries will continue to grow and that their growth will dictate continued progress for the company.

	12 Months Ended October 31, 1936	12 Months Ended October 31, 1935
Electric consumers . . . . .	341,116	336,334
Gas consumers . . . . .	96,758	95,194
Gross revenues (all departments)	\$29,958,602.93	\$28,457,291.92

(In certain instances where a consumer is served by more than one meter,  
each meter is recorded as a consumer.)

**NORTHERN STATES POWER COMPANY**  
[ MINNESOTA ]

that very little, if any, of the railroad company's stock that was distributed as a special dividend has been disposed of, the holding company, through the shares that it still owns, together with those owned by its stockholders, controls the railroad company to about the same extent as before the special distribution was made.

The Atlantic Coast Line Railroad Co. is conservatively capitalized, the funded debt being a little over \$150,000,000, the common stock outstanding \$82,342,700 and the preferred stock \$196,700.

As already indicated, the dividend outlook for Atlantic Coast Line common and the probability of a further substantial advance in the price of the stock are particularly bright. With the marked improvement in conditions generally in Florida and other Southern states, the record citrus fruit crop indicated for this season, and the favorable rates now enjoyed by the railroad in competition with the boats, Atlantic Coast Line common, now selling around 48 should further reflect the improved earnings prospect.

## The Ghost of N R A Stalks Again

(Continued from page 479)

Richberg program to go any further in regulative law than at present, except to prohibit unjust or sweatshop wages and hours as an unfair trade practice. The objective is to clarify and strengthen the laws by definitive language. Practices already defined by the courts as unfair, would be defined by law, so also would be unfair competition, unjust wages or unjust hours. These standards would be written in the most general language and *would be finally defined by voluntary collective bargaining*. An unfair trade practice is to be made a matter for judicial decision but collective bargaining is to be left to voluntary negotiations. A new government agency is contemplated for the purpose of encouraging business to cooperate instead of quarrel in actions "which appear to be within the field of legitimate activity." This agency would probably be assigned to the Department of Justice, but its pur-

pose would be to prevent, rather than to encourage, litigation. Democrats in business talk about making the Department of Commerce a friend of business just as Agriculture protects the farmer and the Department of Labor glorifies the manual laborer.

There are many bills regulative of business but the characteristic of a large number of them is that business is to be allowed to do a lot of things including "re-sale price maintenance" which was at one time regarded as a most damnable communal sin.

Freight trains of books could be written about what our grave-faced reformers have in view for the next four years (most of it right now if possible), but the essential thing to keep in mind at all times is that the President, himself, is determined that everything shall be done, that law can do, to provide every man with a good and steady job in the complex modern community, in which he no longer can certainly obtain a job for himself. That task is to be accomplished within the pattern of the historic American economic organization, to provide by legislation whatever cannot be provided spontaneously. In some instances the private profit system is to be cut out. In others business men are to be handed rules for management, rules which in the end will be written by organized labor. Thus may come about a great industrial peace and calm. Everybody is to eat voluminously but nobody is to be eaten!

## The Farmer Bets on Wheat

(Continued from page 489)

at the same time. The admitted shortage in the importing countries and his own greatly improved position as to the use he can make of his income give him greater courage and renew his faith in expanded production.

The important feature in the whole field of the commodities produced on the farm is the betterment in the purchasing power of the farmer's dollar. Twelve months ago this price ratio had climbed from its all-time low up to 90. Now, this relation between prices paid by the

farmer and prices received for the products is back to practically pre-war parity.

The mark-up in farm products has been sharp and pretty much all inclusive, while the prices for things which our farmers buy have remained fairly stationary. The present status registering an improvement of 10 per cent in the agriculturist's favor, as compared with a year ago, makes for a much more cheerful atmosphere.

As of the close of 1936, compared with prices of twelve months earlier, corn showed an advance of 73 per cent; eggs, 42 per cent; wheat, 33 per cent; hides, 25 per cent; cotton, 11 per cent.

This decided improvement which exerts its real strength in the growing volume of business coming from the farm, must be expected to show some further broad expansions, in view of the abnormal conditions which have prevailed during the depression years. The showing made by the mail order houses and the chain stores is remarkable in improvement through the years 1934, 1935 and 1936, and impressive in the totals of sales made. The farm machinery makers may look forward to a particularly good period of two or three seasons, if the drouth cycle is definitely ended. There is a huge backlog in the postponed demand of the farmer for new tools; the old tractor, drill, harrow, corn planter, self-binder and what not suffered many home made repairs during the drouth years and new equipment is needed.

Agricultural income in 1936 is calculated to total 9,530 million dollars. This total includes benefit payments, the value of all crops and animals produced figured at average prices, a gain of 12 per cent over 1935. Final figures are expected to exceed 10 billion dollars, the highest figure since the price collapse in 1929.

All in all, the outlook is more satisfactory than for some years past. Commodities look to go still higher, the farmer has his chin up again. Farm buying, more than any other one factor, goes to provide a market for manufactured goods and thus to solve the overhanging problem of unemployment. That is the one thing to be eliminated in so far as is possible.

## Industrial Rayon Corp.

(Continued from page 499)

cross-dyeing effects. It so happens that rayon made by the viscose process—and this is the process used by the Industrial Rayon Corp.—takes direct dyes. Acetate rayon on the other hand, which differs from viscose rayon in that it is not merely regenerated cellulose, will only take special acetate dyes. A yarn can be spun containing a mixture of viscose and acetate rayon which, when run through a bath in which there has been placed the two different kinds of dyes, produces unusual effects. With such developments as this to what the public's appetite periodically, one cannot imagine rayon going out of style, or suffering any such fate as the mohair skirt.

That Industrial Rayon can be counted upon to keep up with the growing industry is attested by its new continuous process and the plans for the new plant at Painsville. The company's Cleveland plant and the plant at Covington, Virginia, are both modern; the latter, indeed, was only completed in 1930.

On the other hand, Industrial Rayon's business is subject to forces over which the company has no control and, as is shown by the past record, these forces can have adverse effects upon earning power. In 1931, attempting to stabilize the demand for yarn, the company set up its own knitting, dyeing and finishing department. Even so, the textile business is notoriously unstable, subject to alternative gluts and shortages and liable at any time to be hampered by price-cutting and other forms of cutthroat competition.

It is the inherently speculative character of the textile industry that makes one hesitate to endorse any of its securities for long-term holding, although they frequently prove exceedingly profitable commitments over the shorter-term. Nor does the generally troubled labor situation that exists today and the possibility that something approaching N R A will be revived, detract from the inherent risks. N R A, it will be remembered, probably had a greater effect upon the textile industry in

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A DAY MORE  
THAN A LOWEST  
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## THE STUDEBAKER CORPORATION

*South Bend, Indiana*

raising costs than any other factor.

Yet, while these are all admittedly valid considerations to which due thought must be given, the balance at the present time appears to be more heavily weighted on the other side. In the case of Industrial Rayon, increasing demand, plus technical progress, should more than offset any adverse developments that are at all likely to happen in actuality. The stock at the current price of some thirty-eight dollars a share does not appear to discount its earning potentialities.

### Orders for 30 Billion Dollars Worth of Goods?

(Continued from page 478)

"Taking account of the deficiency in existing household furnishings and equipment, the increase in the number of households, the normal replacement, and figuring on the basis of present prices," asserts the survey, "we would estimate that the minimum requirements over the next five years would represent a level of production at least 10 per cent above that of the 1925-1929 period. This would be at the rate of approximately \$6,000,000,000 a year."

Railroad expenditures for capital and maintenance purposes from 1925 through 1929 averaged more than \$2,500,000,000 a year. The average for the period 1930-1936 has been only half this total. For five years the output of new rolling stock was almost negligible, falling so far short of scrapage of old units that total inventory of rolling stock shrank continuously. Even the substantially increased output in 1936 did not suffice to prevent further decline in total inventory. In the case of roadbed and structures, depression checked modernization previously under way. Because of deferred maintenance, changed competitive conditions and development of new types of equipment, a larger portion of rail facilities is obsolete than ever before.

Although estimating needed expenditures on roadbed and structures is complicated by many uncertain factors, the amount is placed at a minimum of \$300,000,000. The deficiency in locomotives is esti-

mated at 8,000 units, representing a cost at present prices of \$800,000,000, while that in freight cars is placed at 400,000 and in passenger cars at 6,000, representing combined cost of approximately \$1,000,000,000. Deferred repair of existing rolling stock is estimated at \$100,000,000. Thus the aggregate accumulated deficiency in railroad maintenance, as of the end of 1936, is placed at \$2,200,000,000.

The needs of normal maintenance for the next five years are estimated at \$2,000,000,000 a year. If, in addition, the accumulated deficiency is made up during 1937-1941 the total requirements would be roughly equal to those of the 1925-1929 period or approximately \$2,500,000,000 a year.

Combined capital and maintenance expenditures of the public utilities during the 1925-1929 period averaged \$2,250,000,000 a year, with outlays of the electric power industry for new plant and equipment ranging between \$700,000,000 and \$900,000,000. At the low point of 1933 and 1934 the latter total had declined by some 80 per cent. Although no significant accumulated deficiency in electric power plant exists, demand for electric power is already 15 to 20 per cent above pre-depression levels and will broaden further. Therefore there will be need for considerable expansion of capital outlays over the coming five years. Average annual needs are placed at \$900,000,000 or roughly equal to those of 1925-1929.

In the telephone field average annual capital and maintenance expenditures during 1925-1929 exceeded \$600,000,000. The survey concludes that the requirements of the next five years will approximate this annual figure.

In the electric transit industry—although it is in a declining phase—requirements are estimated at approximately \$350,000,000 a year or about equal to those of 1925-1929. The gas industry, natural and manufactured, made capital and maintenance outlays of less than \$300,000,000 even in 1929 and is not a large factor in durable goods, but with consumption at a new high and trending upward, potential capital requirements substantially exceed those of the 1925-1929 period.

Although the available data covering industrial enterprise is seriously

incomplete, it appears that capital and maintenance outlays in this field averaged at least \$7,500,000,000 a year during 1925-1929, constituting about 55 per cent of total expenditures for producer's durable goods and roughly 25 per cent of the grand total for durable goods of all kinds. This field is therefore an exceedingly important market for durable goods. It is worth nothing that outlay for machinery and movable equipment normally accounts for some 80 per cent of the total and construction of industrial buildings for the balance.

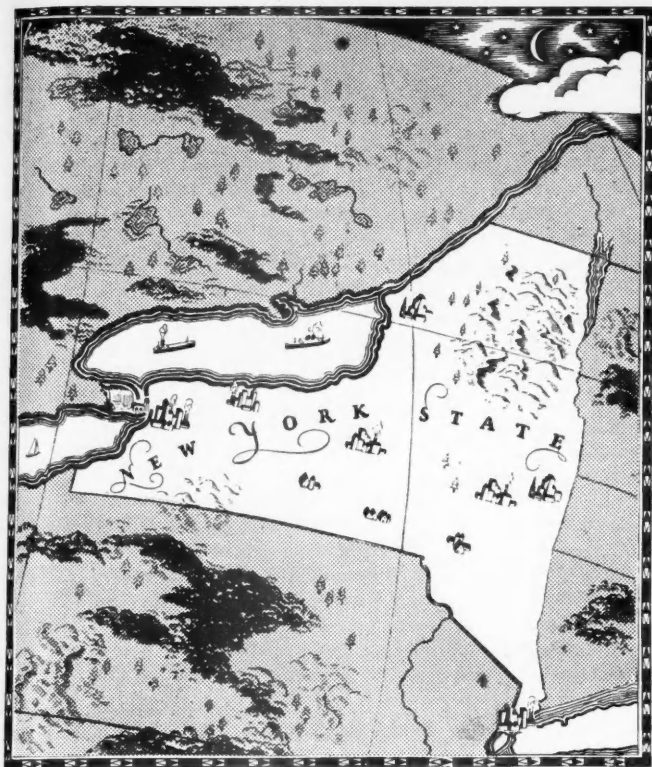
Machinery, of course, has a much shorter life span than the building which houses it, and aside from actual wear is subject to a relatively rapid rate of obsolescence due to technical progress in the design of new equipment. There can be no doubt that the age distribution of the machinery inventory has shifted substantially since 1929, with the existing proportion of new and up-to-date equipment much lower than before the depression.

Taking into account both deferred maintenance and the great technological advance made in machinery design during the depression, the accumulated deficiency is estimated at roughly \$10,000,000,000. To make up this deficiency, take care of normal replacements and provide for population growth, the potentialities of the next five years are placed at between \$10,000,000,000 and \$11,000,000,000 a year or approximately 40 per cent higher than the 1925-1929 average.

Pre-depression outlays for farm buildings and equipment were around \$1,000,000,000 a year, but declined to a little more than a quarter of that amount in 1932. Despite substantial recovery during 1933-1936, the accumulated deficiency is more than \$1,000,000,000.

Public and semi-public construction—the latter including private schools, clubs, churches and the like—was in the magnitude of about \$3,500,000,000 a year prior to the depression, with public works accounting for nearly 90 per cent of the whole. While the latter held up better than other types of construction, reflecting governmental spending to relieve unemployment, nevertheless it is estimated that volume by the start of 1933 had been reduced by about one-half.

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**I**N the days when production costs were industry's chief concern, plants flocked to New York State. They came because water power, labor and raw materials were plentiful.

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53 railroads blanket New York State with 8400 miles of track. These are so intimately linked with a modern system of highways, waterways, lake and ocean ports that goods can be shipped directly and economically to any point in this country or foreign lands. Abundant power at low rates is available throughout the territory served by the operating companies of the Niagara Hudson System.

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Recovery in public construction has lifted the total to a level not far under that of the pre-depression average, but allowance must be made for growth of population and accumulation of repair work. Although it is not possible to measure actual requirements of the future, the needs of the next five years appear of a magnitude at least equal to the actual construction of the late twenties.

The above, it should be repeated in conclusion, is not a business forecast, but an appraisal of potentialities in durable goods. It should be added that consumption goods, although much closer to the pre-depression plane than durable goods, present potentialities for somewhat further recovery, as well as for normal growth with population over the next five years, even without betterment of the pre-depression standard of living.

Bearing upon the actual economic outlook, the Brookings Institution observes that: "The economic situation today is one of delicate adjustment and precarious balance." It summarizes the essential require-

ments for a consistent program of further recovery—as its investigators see them—as follows:

"The re-establishment of a balanced Federal budget as a foundation on which to build enduring progress."

"The continuance of the present policy of maintaining a fixed price of gold and the establishment through international co-operation of a system of stable foreign exchanges."

"The extension of the program of reciprocal trade agreements as the most practical means of reducing artificial barriers to commerce and reopening the channels of international trade."

"The preservation of the generally favorable ratio of prices and wages, in the interest of progressively expanding the real purchasing power of workers and creating a demand for added production and employment—placing emphasis upon price reductions as a means of carrying the benefits of technological progress to all groups within the nation."

"The maintenance, in general, of prevailing hours of labor, as the

only means of meeting the production requirements involved in restoring during the next few years the standards of living of the labor masses and promoting the economic advancement of the nation as a whole."

"The elimination of industrial practices—private and public—which tend to restrict output or to prevent the increase of productive efficiency."

"Shifting the emphasis in agricultural policy from restricted output and rising prices to the abundant furnishing of the supplies of raw materials and foodstuffs required by gradually expanding markets."

The MAGAZINE OF WALL STREET express no opinion on these "essential requirements" but does concur heartily with the following concluding thought:

"The economic advancement of laborers, clerical workers, professional groups, business men, and farmers all depends upon our pulling together, with the aid of government, toward the common objective of increased production and higher living standards."

## Answers to Inquiries

(Continued from page 514)

stockholders has been enhanced also by taking advantage of existing low money rates to refinance high interest bearing debt. It is expected, therefore, that the report covering the full year 1936 will reveal a considerable improvement over 1935 when the equivalent of 74 cents a share was shown on the common stock. The year end balance sheet is also expected to show a much improved financial status. The establishment of the stock on an 80-cent annual dividend rate is indicative of the improvement which has occurred in the affairs of the company. With further improvement indicated in all branches of the business during the current year, the stock of this company should prove a satisfactory holding, in our judgment.

### Continental Insurance Co.

*Do you look to a better year for Continental Insurance than the last one? It seems to me its large holdings of common stocks, and the rise in these, should bring this issue into greater market prominence? What are my prospects as to stockholder?—F. W. A., Salt Lake City, Utah.*

Continental Insurance Co. is one of the outstanding organizations in the fire insurance field, writing business in practically every state and territory of the United States and Canada. As has been the experience in the entire fire insurance field, fire losses have been somewhat heavier recently and this situation, together with lower premium rates, has tended to restrict income from underwritings. On the other hand, the company has benefited markedly from the recovery which has occurred in the securities markets, particularly since a large portion of its holdings consist of common stocks. Due to increased corporate earnings and the more liberal dividend policy brought about in part by the tax on undistributed net income, investment income has shown sharp improvement. The outlook for underwriting profits during the current year remains rather colorless, but with further recovery indicated for the average run of common stocks, liquidating value of

Continental's own stock should improve further. In this connection it is well to bear in mind that a company such as Continental Insurance is not unlike an investment trust, because of its wide and carefully selected security holdings. However, the company has a distinct advantage over the investment trust in that it ordinarily can look forward to a steady stream of fresh investment funds as a result of underwriting operations. At current quotations, the stock is selling at a discount from indicated equity value and it seems probable that further recovery of the market as a whole would witness a worthwhile percentage gain in this stock also. It is our suggestion, therefore, that you maintain your holdings.

### Mid-Continent Petroleum Corp.

*With 1936 earnings estimated at \$2.50 a share, and with a banner year predicted for the oil industry, I believe Mid-Continent Petroleum will sell higher. Possibly there are factors I have overlooked. Kindly favor me with your views.—W. C. F., Houston, Texas.*

We agree with you that the outlook from the standpoint of earnings for Mid-Continent Petroleum is favorable at this time, primarily because of the bright prospects for oil producers and partly because of the improved status which the management of this company has been able to effect. It follows logically that higher prices than currently obtain for the shares of this company could rule in the future and we know of no factors which you would likely have overlooked in your reasoning with regard to this company, independent of the oil situation as a whole. There are undoubtedly factors operating in the longer term prospect which are quite clearly constructive in their effects on the oil stocks as a group, but it must be remembered that in recent sessions of the market the oils have had a substantial advance, and at least to some extent discounted the improved position which they now enjoy. At best potential over supply of crude oil overshadows the future prospect, although much progress has been made toward restriction of output, looking to a healthy balance between production and demand. The trend in consumption of oil and its products is, and is likely to continue to be, strongly

upward, and to some extent that fact aids in maintaining a satisfactory price structure in the industry. As a unit in the industry, Mid-Continent has rounded out its activities and is well situated to register further improvement under favorable conditions.

### Kennecott Copper Corp.

*Do you believe the move in the copper is nearly over at least for the time being? Would you continue to hold 100 shares of Kennecott Copper bought at 39% for price appreciation rather than income?—A. C. R., Chicago, Ill.*

We find no indications of a reaction in the price structure of copper metal at this time. So long as the price structure remains firm, the shares of such a leading producer as Kennecott should exhibit strength. To liquidate your holdings at present price levels would be to deny yourself the opportunity to profit by any advances which would be provoked by continuance in the uptrend in the market for the metal, and such is a possibility. Although potential production in copper continues as a threat to the price structure, since rising prices for the metal tends to increase its production, the record nevertheless demonstrates effective control over the domestic market by reason of a tariff wall and by virtue of the concentration of production among relatively few. Kennecott participates in the world market through its Chile properties also, which are low cost producers. While potential over-production tends to prevent too rapid advances in the price levels, it is not the sole factor—consumption of the metal playing an important role in making the market. With continued expansion in demand arising from further increase in the development program of the public utilities, the Telephone & Telegraph Companies, and the electrical appliance manufacturers, as well as the building and construction trades, it is obvious that the market is well balanced. We believe the tendency will be toward firmer price structure, rather than the reverse. We believe therefore, that the constructive factors predominate in this situation and see no need for haste in liquidating your holdings of this stock, even though present quotations do offer you a very handsome profit on your purchase.

## American Brake Shoe & Foundry Co.

To what extent do current prices of American Brake Shoe reflect its probable share in the anticipated huge demand for railroad equipment. In view of its sharp rise of the past year, is much further appreciation possible?—L. B. C., Los Angeles, Calif.

It is obvious, judged on the basis of ratio of current earnings to market price that these shares have already to some extent anticipated substantially higher earning power in the future. It is estimated that American Brake Shoe will earn about about \$2.75 a share in 1936. This will represent an increase over the share earnings of 1935 of about 63%. Certainly it is reasonable to conclude that a greater increase in volume of business is in store in the future for the equipment manufacturers, than to date has been recorded. It follows logically that earning power should show still greater percentage increase in the reports that are to come covering future operations. American Brake Shoe & Foundry Co. will not only profit substantially when the vast potential demand for new equipment materializes, but in addition it will continue to profit by the heavy replacement demand in brake shoes, car wheels, castings and forgings and track parts. By reason of this replacement demand, this company was able to carry through the depression years, not in a single instance failing to show some net income from operations. Under these circumstances, it is only natural the shares of this company should be in demand at a time when the outlook seems so clearly favorable, and we believe that further substantial appreciation in the market value of these shares is by no means an unreasonable expectation.

## Youngstown Sheet & Tube Co.

I am wondering if Youngstown Sheet & Tube isn't selling at a much lower ratio to earnings than other stocks in its category. Would you, therefore, give me an evaluation, taking into consideration bond redemptions, payments of accumulations on its preferred and new operating factors?—M. B. H., Nashville, Tenn.

Youngstown Sheet & Tube Co. numbers among its major consuming outlets, the oil, gas and building industries. Minor consumers such as the automobile, container and miscellaneous metal fabricating trades

have recently increased in importance. This increase of outlets has enabled the company to present diversified products which have resulted in increased earnings. This is very apparent in the comparison of 1935 and 1936 net income reports. For the full year of 1935 Youngstown reported a net income of \$1,598,000 equal to 65 cents a share on the common stock, after preferred requirements. For the nine months ended September 30, 1936, a net income of \$6,845,386 equal to \$5.27 per common share was reported. Not only are current earnings better but the company is preparing for future profits by planning to spend approximately \$10,000,000 in the erection of new plants. Naturally, this would mean substantially increased production, enabling the company to participate extensively in the greater demand for products of this type. The management has taken rapid strides in discharging the arrearages on the preferred stock and as of January 2, 1937, they amounted to only \$9.62½ per share. Furthermore, calling of convertible debentures also gives a heartening note to possible disbursements on the common in the future. Full year estimates for the company are very satisfactory, orders on hand being substantial. However, the outlook is somewhat beclouded by the strikes prevalent in the automotive industry, and until these are settled, production will naturally be retarded. Nevertheless, the general trend of the industry is very encouraging and with the automobile industry looking forward to its best year in a long time, continuance of the improvement already shown appears very likely. Consequently, it is felt that

at current reasonable prices for the stock retention is advisable.

## Purity Bakeries Corp.

I would like to know what I may hope for from my Purity Bakeries shares in the period ahead. Will its recent progress be extended? Is the depression for "luxury" bakers now over? Can higher raw material costs act as a brake on further improvement?—J. A. Y., Philadelphia, Pa.

Although Purity Bakeries Corp. gathers its volume of business from the bread division, its real profits are realized from the higher priced cake and bakery lines. The profit margins on these are much wider, thus contributing much more to net earnings. It follows, therefore, that the increased consumer purchasing power currently being experienced will be a definite aid to the company in reporting substantially higher profits in the future. This is very apparent from the third quarter report, although retarded by seasonal summer months dullness, when a net profit of \$274,613 was shown, or more than double that of a year ago. Naturally, profits will be effected by the higher cost of raw materials, but it is felt that increased volume should largely compensate for this contingency. Furthermore, the competition experienced in this field, particularly at the hands of local bakeries, will lessen with the increased demand for higher cost products. As the detrimental influences of the depression are cast off, volume sales should increase accordingly. With this increase, profit margins on the bread division should widen, thus enhancing the possibility of substantial improvement in earnings for the future. Distribution of the com-

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pany's products is effected through approximately three hundred and forty stores located throughout the eastern, central western and south-western sections of the United States. The main factor in this distribution is Cushman & Sons, Inc. This company is virtually entirely owned by Purity. Estimates for Cushman for 1936, are that operations were on a profitable basis once again, thus substantiating the belief that the demand for the higher priced products is increasing considerably. All contingencies point to a very constructive attitude toward the stock and retention is suggested.

## Happening in Washington

(Continued from page 475)

have permit laws of this type, this would force more stringent traffic codes in half the nation. Steady toll of traffic accidents may cause serious consideration of such legislation.

**Price maintenance** via federal trademark law is newest idea of Rep. Patman. He is drafting tentative bill to permit owner of registered trademark to file with Patent Office schedule of retail prices (plus \$25 fee). Deviation from this schedule would be actionable as trademark infringement. Federal Trade Commission would have power to set aside price schedules found monopolistic or injurious to consumers.

**Small houses** demonstration project, sponsored jointly by F H A and lumber manufacturers and dealers, aims to build at least three houses to sell complete for \$2,500 to \$4,500 in some 1,000 communities this spring. All will embody F H A construction standards and finance plans. Hope is to touch off building boom by showing builders how to tap huge home market in low-income class.

**R F C extension** means continuance of government lending to business, or possibility of it, sufficient to keep interest rates and credit supply within range administration thinks proper. Looks incongruous when other branches of administration are discussing fears of too much business credit, but demonstrates that government controls of economic forces,

established in name of emergency, have irresistible tendency to continue indefinitely.

**Attack on courts** through legislation to curb their power not expected until after Supreme Court passes on labor relations act and social security, though impatient New Dealers in and out of Congress are trying to jockey Roosevelt into immediate action. The most that is anticipated are laws to speed constitutional questions direct from lower to Supreme Court and to require two-thirds of Supreme to join in decisions holding laws unconstitutional.

## Opportunities in Convertible Preferreds

(Continued from page 501)

During the last six months of 1936, Paramount Pictures began to show signs of fulfilling the promise of the sweeping reorganization effected early in 1935. The fact that the substantial scaling down in fixed charges was not more effective in rejuvenating the company's earnings was due in a large measure to the inexperience of the management installed at the time of the reorganization. This condition, however, has since been corrected and under the stimulus of greatly increased attendance at motion picture theaters, earnings of the company gained appreciably last year. For the first time since 1929, aggregate box-office admissions for all motion picture theaters amounted to \$1,000,000,000 and attendance of 88,000,000 was a gain of 10% over 1935. Paramount operates about 1,100 theaters, plus about 400 more associated properties, and is, in fact, the largest theater operator in the motion picture industry. Accordingly, conditions last year were highly favorable to the company. In its producing division, also, the company was more successful last year and features scheduled for early release appear to include several genuine "hits." Finally, the company has under consideration plans for refinancing its 6% debentures on a lower interest basis, and a complete overhauling of its producing and administrative branches is expected to effect a large

reduction in overhead. These various savings may amount to as much as \$2 a share for the common this year.

All back dividends on the company's 249,981 shares of first preferred shares were liquidated last year and back dividends on the second preferred were reduced to 60 cents a share. The liquidation of this amount and the resumption of regular payments of 60 cents a share are an early possibility. The second preferred shares, par \$10, are convertible into common stock of the company on the basis of nine shares of common for each ten shares of second preferred. In other words, to reflect the value of this feature, the quoted price of the second preferred will reflect about 90% of the price of the common. The company's report for 1936 is not available, and year-end adjustments preclude an accurate estimate. It would not be surprising, however, if better than \$2 a share is shown for the common. Earnings this year might well be double that figure. In any event, the possibility appears to be sufficiently well founded to warrant speculative consideration of the second preferred shares, on the strength of their convertible feature.

## Rail Prospects More Helpful

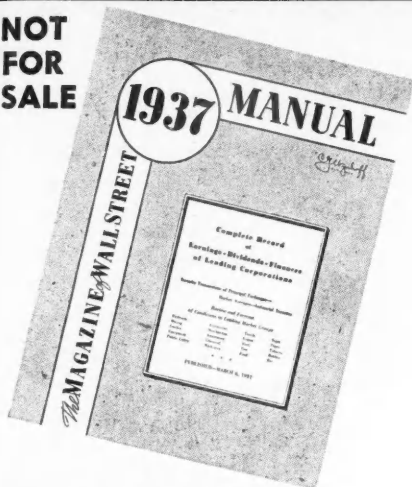
(Continued from page 491)

last year. The lack of consistency in imposing lower rates and higher wages, however, may prove a strong defensive weapon for the railroads.

Reorganization of insolvent carriers continues to be a very slow process. Better earnings, however, should tend to speed the formulation of reorganization plans and encourage their acceptance of security holders. Of those roads which have escaped financial difficulties for the majority of them, improving earnings have strengthened the position of their senior securities, but such considerations as deferred maintenance, equipment needs and bank loans preclude early consideration of dividends. Accordingly, candidates for favorable dividend action in 1937 continue to be limited to a comparatively few outstandingly successful roads.

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## Mexico Goes Left

(Continued from page 485)

the most ambitious single advance of the agrarian program resulted in the distribution of over half a million acres in the cotton raising Laguna district to more than 28,500 workers.

The land taken has been expropriated from those holding legal title either by payment which the owners have declared represented only a fraction of its value or without any payment to date. Even now less than half of those entitled to land under existing law have received grants and the government is faced with the problem of finding in many regions land enough to go around or at least land acceptable to those demanding it in sufficient quantity to go around.

The agrarian program affects foreign interests much less than Mexicans. Other proposals have reached farther, to touch oil and mining and other properties, largely foreign owned. As to these, the most acute problems seemed until recently to have passed but they are now faced with legislation of more radical character than that formerly adopted and by a labor movement disposed vigorously to push its demands. The foreign interests chiefly affected are American. Their value has risen spectacularly during the years since 1900. All American direct investments in Mexico were estimated to be worth some \$185,000,000 in 1900 but in 1934 the United States Department of Commerce put them at \$632,000,000.

The developments most seriously affecting foreign interests may prove to be not those involving directly agricultural or other landed properties but those concerning labor. That legislation to protect workmen was badly needed at the end of the Diaz regime is patent to everyone. Labor organizations have flourished and have won extraordinary influence in the period of the Revolution. They have at times almost formed states within the state. They threaten to do so now. Efforts to arouse the employees in industry to demand their rights became successful especially after 1918 under the lead of Luis N. Morones.

His organization, the Crom, at one time claimed 1,200,000 members.

The pressure which it put upon the government explains to large degree the advanced labor laws already on the statute books. But the demands of the workers have now far outrun the Morones standards and he, like Calles, has been expelled from Mexico and has taken up residence in the United States.

For a time after the Crom reached its peak of power the Mexican labor movement seemed to be disintegrating. Factions fought each other and Crom membership steadily sank. It split up in 1932 and the old organization is now only a minor factor. Out of the disorder rose Vicente Lombardo Toledano, an able leader who through his C. T. M. (Confederation of Mexican Laborers) now claims to head 90 per cent of organized workers of the country.

The influence of the C. T. M. group upon the Cardenas government is now far-reaching. It protests its loyalty to the administration, though occasionally condemning certain of its acts. It has undertaken active propaganda work throughout the country. During the past year it has sponsored or supported a large number of labor disputes. Since domestic capital is of limited amount and industrial activities predominantly represent foreign investments, the conflicts in industry touch foreign investments much more than controversies touching agricultural land.

Space limitations do not allow a complete listing of the labor conflicts since the installation of the Cardenas regime. On May 18, 1935, a general railroad strike was only halted by the government's declaring railroad employees to be government employees and without the right to strike. Labor organizations protested, charged the government had yielded to "imperialistic" American influences, and announced that the real trial of strength would be postponed. Demand that public employees be allowed to form unions and for official unionization of all industry, for higher wages, for better medical services and for better housing of employees have been continuous since. The merits of the controversies may be disputed but they have shown steady increase in the scope of the demands made and in the number of persons affected.

Among other interests, they have fallen upon the paper trust (Spanish), textile plants (French), the Mexican Light and Power Company (chiefly Canadian), sugar companies (American), cotton growers (American), mining and smelters (chiefly American), oil (chiefly American and British), and the fruit industry (American).\*

The attitude of the group in control of the government toward labor is unmistakable both in the interpretation of the law and in the proposals for new legislation. The labor organizations have demanded the right to organize and to bargain collectively with employers. A decision of the Mexican Supreme Court of December 2, 1936, interprets the existing law to bar all company unions, a victory of signal character for the laborers.

The government, meanwhile, has shown its desire to go along with the advance by threatening that if industrialists do not keep their plants running their properties may be turned over to the workers. It sponsored a law, passed November 3, 1936, expanding the right to take private property needed for the social program. Formerly only land and waters could be thus taken over. Under the new law even machinery may be requisitioned for the use of the laboring classes, a standard now supported by a supreme court decision of December 2, 1936.

Taken as a whole, the government has consistently shown the desire to keep ahead of the demands of the revolutionists in both the land and labor legislation. In no instance has Cardenas disappointed the agrarians and only in the case of the railroad strike could the industrial laborers claim that the action taken "came as a shock to their desires." The speeding up of government leadership in recent months is doubtless partly explained by the desire to make a good showing as the first two years of the President's administration and of the Six-Year Plan to which he is committed came to a close on December 1, 1936. There is no reason to believe, however, that advance legislation will cease to be pushed.

The Six-Year Plan, "the new

\* This summary is based on the issues of the Mexican Labor News published by the Press Department of the Workers' University of Mexico, July 1, 1936-January, 1937, and the Mexican News Letter published by the National Revolutionary Party, November-December, 1936.

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charter of the revolution," is a program which, ironically enough, was sponsored by the now discredited Calles. He felt it should be "a program . . . based on calculation, on statistics and the lessons of experience" and confined to what is possible under Mexican conditions. A too radical program he declared would be "a crime" and carried "at the cost of the hunger of the masses." Working out the program falls to Cardenas. As it is phrased the plan contains many vague provisions and whether it will prove to be one falling under the first or second of the classifications Calles used can be judged only by the concrete measures which the new administration adopts.

Calles declares the present course of Mexico is toward chaos. Cardenas and his followers maintain the measures they have adopted assure steady advance to a nationalist economy which will bring stability in government and a steady rise in the standard of life of the Mexican masses. Whatever the outcome, there seems to be little doubt that the administration, and the leaders of opinion outside the government are still steadily leading Mexico toward more radical policies.

## 1936 Records—1937 Prospects

(Continued from page 488)

they are selling at an exceptionally high ratio to estimated earnings for last year. Yet a year ago many of these same stocks would have appeared to have been selling very high in relation to 1935 earnings, which in not a few cases were then non-existent. In the interim, however, many of these same companies have doubled and tripled per-share earnings, while others have replaced 1935 deficits with sizable profits. If present indications mean anything 1937 profits will record further substantial gains and prevailing quotations for the shares of such companies are in part anticipating this trend. As stated elsewhere, 1936 results are being regarded by the stock market as a hint of potential profits rather than a criterion.

Doubtless market enthusiasm and excessive optimism may push prices

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for some issues up to a point where even potential earnings are being too liberally discounted, or potential earnings may prove disappointing and such shares will decline in value. The investor must rely upon his judgment to avoid this experience but, in the present setting, the possibility of error may be mitigated by concentrating funds in the shares of representative companies in the most promising industrial groups.

The major element which supplies the heavy industries with their dynamic quality at this time is the huge replacement needs for all types of durable goods—homes, apartments, factories, machinery, railway equipment, electric power generating and transmission facilities, etc. Obsolescence, growth of population, and caution bred during the depression have all combined to create a deficiency in necessary durable goods. Superimposed on domestic requirements is the possibility that *export demand may be greatly stimulated by preparations for war.* Whether or not this huge potential demand actually materializes in full, it promises to exert an important influence in the industrial trend during the next twelve months at least, and the investor may well be guided accordingly.

The choice of the common stock investor at this time lies broadly

between two main groups of industries and companies: first, those which will continue to report good earnings in line with general recovery but with upward trend more likely to round out with the result that per share gains will be less marked, and, second, industries and companies which have yet to experience the full momentum of recovery but which may be credited with dynamic prospects from this point on. Obviously, those in the latter group promise the largest returns both in dividends and price appreciation and representative issues should comprise a majority of the investor's holdings. Holdings in the more conventional group should be scaled down but there is no reason why they should be eliminated entirely. Selected issues among the railroads, utilities, chemicals, and retail trade should prove worthy investments, while tobacco and food shares offer a fairly generous yield to investors requiring some immediate return.

### As I See It!

(Continued from page 471)

We call upon the President of the United States to give us the same

fatherly consideration he accords to other "forgotten men." After all, we are not step-children for it is we who pay the bulk of the taxes that make possible the spending of vast sums for the needy, and we believe we are entitled to equal consideration.

We, therefore, suggest that every subscriber of this Magazine send a copy of this editorial to the President, and ask what protection we are going to receive against wild-eyed, irresponsible crackpots, scheming to produce chaos, and out of the resulting poverty and misery climb to dictatorship over the prostrate forms of the whole people.

### Politics Still Uppermost in Utility Prospect

(Continued from page 492)

tionably is a deterrent to such expansion, but in the present setting it is doubtful whether or not it can be considered any more than mildly retarding.

In addition to the larger revenues which will be the result of larger output, the public utilities can look forward to this year being one of record refundings. Many important refundings were effected last year with substantial savings in interest, but many more remain to be carried out. Although here, too, politics arraigns itself on the adverse side, the improved earnings of the utilities though relatively small, coupled with the huge sums of money desperately seeking investment, hold out the prospect that additional large savings will be effected by refundings.

In view of the opposing forces to which the public utilities are being subjected, the wisest course for the investor would seem to be one of cautious moderation. No objection can be raised so long as commitments are held to a minor role in the individual's portfolio, for if only the political pressure were relieved the utilities would undoubtedly soar under the full impetus of the favorable economic influences. Unfortunately, however, the political outlook being at the best uncertain, heavy representation in the public utilities stocks has its obvious disadvantages.

## New York Curb Exchange

### ACTIVE ISSUES

#### Quotations as of Recent Date

Name and Dividend	1937-36 Price Range		Recent Price	Name and Dividend	1937-36 Price Range		Recent Price
	High	Low			High	Low	
Alum. Co. of Amer.	173	87	166½	Imperial Oil (1.50)	24½	19¾	21½
Amer. Cyanamid B (1.60)	40¾	29½	33½	Iron Fireman (11)	31½	22½	24½
Amer. Gas & Elec. (1.40)	48½	33½	46½	Jones & Laughlin	105	30	103
Amer. Lt. & Tr. (11.20)	26½	17½	24½	Lake Shore Mines (14)	62½	51	56½
Amer. Superpower	4½	2	2½	Molybdenum	13½	6½	9½
Assoc. Gas & Elec. "A"	5½	1	4½	Mueller Brass (11)	48½	33½	48½
Atlas Corp. (.80)	17½	11½	17½	National Bell Hess	3½	1¾	3½
Cities Service	7½	3	5	National Sugar Ref. (2)	30½	23	26½
Cities Service Pfd.	66	41½	55	Newmont Mining (13.75)	135	74½	129
Colum. G. & E. cv. Pfd. (4)	116½	83½	94	Niagara Hudson Pwr. (1.40)	18½	7¾	16½
Colum. Oil & Gas (1.20)	10½	¾	9½	Niles-Bement-Pond (11)	52½	28½	48½
Commonwealth Edison (14)	139	97	134	New Jersey Zinc (12)	92½	69½	82
Consol. Aircraft	25½	14½	25½	Pan-Amer. Airways (11)	75½	45½	69½
Consol. Copper	9½	3½	8½	Pantepec Oil	10½	8½	8½
Consol. Gas Belt (3.60)	94½	84	87½	Pepperell v. L. C.	149½	55	144½
Creole Petroleum (1.50)	39	19½	36½	Pitts. Pl. Glass (.05)	140	98½	133
Eagle Picher Lead (1.60)	23½	7½	23½	Sherwin-Williams (4)	145½	117	135
Elec. Bond & Share	28½	15½	25½	South Penn Oil (11.50)	47	32½	46½
Elec. Bond & Share Pfd. (6)	88½	74½	85½	United Gas	13½	4	12½
Ex-Cell-O A. & T. (1.60)	25	14½	23½	United Lt. & Pw. "A"	11½	3½	10½
Ford Mot. of Can. "A" (1)	28½	19	27½	United Lt. & Pw. cv. Pl. Cl. "A"	75½	29½	69½
General Tire	24½	13½	24½				
Glen Alder Coal (11)	18½	13	14				
Gulf Oil of Pa.	65½	54	60½				
Hudson Bay M. & S. (1)	35½	22½	34½				
Humble Oil (11)	83	57	62½				

\* Paid this year.

† Annual rate—not including extras.

‡ Paid last year.

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